Dawn of the Dutch Petrostate

Corporate Sovereignty on the Jambian Oil Frontier 1904-1923

Jean Demmeni, "Petroleum-Boortoren", Sumatra, 1913, [A5-1-49] Kerncollectie Fotografie, *Museum Volkenkunde*, Leiden.

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Summary

This thesis traces the colonial origins of the Dutch petrostate. During the first two decades of the 20th century, Jambi (a region in East-Sumatra) was known to contain significant oil reserves. In this thesis, I analyse how the Dutch state and the Royal Dutch Petroleum Company (precursor of Shell) competed and cooperated regarding the future oil industry in Jambi. Ultimately, both parties became associates in a public-private joint venture that would exploit Jambian oil: *Nederlandsch-Indische Aardolie Maatschappij* (NIAM). NIAM's creation, however, was built on evading democratic pressures and a considerable state-corporate power asymmetry. By conceptualising Jambi as a colonial "resource frontier" and theorising about the "corporate sovereignty" of oil companies, I argue that NIAM marks the golden spike of the Dutch petrostate. Finally, I make the point that NIAM's inception continues to leave a deciding mark on the Dutch petroleum industry today.

Disclosure

The archival records that I have consulted for this thesis are primarily preserved in the Dutch language. To make this thesis accessible to non-Dutch speakers, quotations have been translated by the author. Although I have tried to be as meticulous as possible, please be advised that a translation is not a perfect substitute for the original.

Introduction: Origins of the Dutch Petrostate

Is the Netherlands a petrostate? In 1977, *The Economist* coined the term "Dutch disease" to explain a causal effect between the exploitation of gas in the Dutch province of Groningen and the observable detrimental economic and political consequences. These detrimental consequences, such as weakening of political institutions and problems with diversifying the economy, have been used as fuel by scholars to argue that the exploitation of natural gas in Groningen was pushing the Netherlands in the direction of becoming a petrostate.[1] Moreover, the unnatural earthquakes that accompany gas extraction in Groningen have provoked accusations that Groningen is used as region that can be legitimately impaired as a "national sacrifice zone" in the Dutch "resource colony".[2] These arguments, however, are made in a historical vacuum. Well before the largest gas field in Europe was discovered under Groningen in 1959, the Netherlands was already one of the protagonists on the global stage of the petroleum industry.

Around the year 1900, global oil extraction was concentrated in roughly four locations. First, in the United States (US), where most oil wells were exploited by John D. Rockefeller's Standard Oil. Second, in the Russian wells in the Caucasus, particularly in Baku (modern day Azerbaijan). Third, oil came from the Galician region in Austria-Hungary. Finally, significant quantities of oil were pumped up from the earth's crust in Sumatra, then part of the Dutch East Indies, now Indonesia.[3]

Evidently, the Netherlands had almost a century-long relationship with the petroleum industry before gas was extracted from Groningen. Moreover, the *Dutch* history of oil is essentially a *colonial* history of oil. Imposing imperial control in remote parts of the Indonesian archipelago went hand in hand with the extraction of crude oil in these remote areas.[4] Furthermore, the Dutch "gas venture" model (*gasgebouw*) in charge of exploiting gas from

[1] This argument is insinuated by Elisabeth Moolenaar. Following the inability of the Dutch government to compensate citizens in Groningen for damage due to earthquakes related to the gas extraction Moolenaar writes: "The use of such discourse as 'colony' and 'banana republic' points to the notion that people should not live under such conditions in a democratic and wealthy country", "The Earth Is Trembling and We Are Shaken: Governmentality and Resistance in the Groningen Gas Field", In *Ethnographies of Power: A Political Anthropology of Energy* ed. Tristan Loloum, Simone Abram, and Nathalie Ortar, (Oxford: Berghahn Books, 2021), 151.

[2] Moolenaar, 145.

[3] Wojciech Morawski, "Galician Oilfields", *Kwartalnik Kolegium Ekonomiczno-Społecznego Studia i Prace*, No. 2, (2017).

Timothy Mitchell, *Carbon Democracy: Political Power in the Age of Oil*, (London: Verso, 2011), 33-46.

[4] Elsbeth Locher-Scholten, *Sumatraans Sultanaat en Koloniale Staat: De Relatie Djambi-Batavia (1830-1907) en Koloniale* Staat, (Leiden: KITLV, 1994), 218-219. Locher-Scholten demonstrates how the colonial administration in the Dutch East Indies used oil as an instrument to impose authority by constructing the image of a future oil industry: "… hopes of profiting from Jambian riches provided the thrust for Dutch expansion".

Groningen builds on prior experience with oil companies in Indonesia.[5] The gas venture is an intricate design that includes corporate participants (e.g. Shell, Exxon Mobil), public-private joint constructions, and state-owned companies. The gas venture is influenced by experiences of *Nederlandsch-Indische Aardolie Maatschappij* (NIAM), the Dutch public-private joint venture with the Royal Dutch/Shell group (Royal Dutch) that exploited the oil-rich Sumatran region of Jambi.[6] In other words, the history of Dutch petroleum predates gas in Groningen and is strongly intertwined with imperial conquest and corporate colonialism in Indonesia.

In many ways, petroleum lays bare continuities of extractive colonialism, intertwinement between the fossil fuel industry and national governments, and the impending climate doom caused by burning most of the earth's fossil reserves in a matter of decades. The apparent disjunction between the extensive Dutch history of colonial oil in Indonesia and the present-day petroleum industry in the Netherlands indicates that this relationship needs to be re-examined in order to explain how Dutch politics, economy and culture continue to be influenced by its own fossil record.

To expose the linkage between the current Dutch petroleum industry and its origins in Sumatra, this thesis will come down to earth on the Jambian oil frontier. On the eastern shore of central Sumatra, in the province of Jambi, geologists predicted the presence of the largest oil field in Indonesia. Due to the boggy and marshy coastline, thick jungle overgrowth and impoverished local sultanate, the Dutch colonial government in Batavia initially expected little economic yield from Jambi.[7] When the first oil prospectors started showing interest in Jambi shortly before 1900, the political matrix shifted significantly. To maximise its profits, the Dutch colonial government closed the region for state exploration in 1904. It was not until 1923, after the government's NIAM proposal with Royal Dutch passed through parliament that Jambian oil was finally extracted. These two decades, between 1904 and 1923, are central in this thesis. They signify an oil boom that paved the road for the Dutch "pacification" of Sumatra; was the genesis of the current supermajor Shell (a merger between The Shell Transport and Trading Company and the Royal Dutch Petroleum Company in 1907); and was the cradle of the Dutch public-private oil industry through NIAM.[8]

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[5] Marin Kuyt, "De Staat en Fossiele Brandstoffen: Een Koloniaal Huwelijk", *Environment & Society*, https://totopdebodem.substack.com/p/de-staat-en-fossiele-brandstoffen. Last accessed, 30 November 2022.
[6] The Royal Dutch Petroleum Company and The "Shell" Transport and Trading Company merged into a duel listed company in 1907. For the sake of uniformity, this study refers to the company as "Royal Dutch".
[7] Locher-Scholten, 238-239.
[8] Peter Mellish Reed, "Standard Oil in Indonesia, 1898 – 1928*", The Business History Review*, Vol. 32, No. 3 (1958), 311-337.

The central question in this thesis is as follows: why did the involvement of the Dutch (colonial) state and the Royal Dutch regarding Jambian oil culminate in a joint venture during the timespan 1904-1923? Since a joint venture model with deeply intertwined state-corporate dependencies is currently operational in Groningen, understanding its prototype in Jambi sheds light on the state-corporate praxis of Dutch petroleum extraction. Ultimately, by historicising Dutch state-corporate relations, this thesis questions how deeply petropolitics have left a mark on Dutch political and economic culture. Following decades of corporate pressure, the Dutch government has still not managed decide over the future of gas extraction in Groningen, despite industry-induced earthquakes. This thesis is therefore an exploration to find the historical markers that indicate the golden spike of the Dutch petrostate. In other words, how did the onset of the oil industry on Sumatra influence the *modus operandi* of governmental-corporate relations?

Historiography of Jambian Oil

Long before the Europeans arrived, Indonesians already used oil seepages in Sumatra for fuel, medicine and torches. The first commercial petroleum industry dates to the 1880s. Aeilko Zijlker, a Dutch planter at the East Sumatran Tobacco Company, discovered these seepages on the lands of his plantation. After the Sultan of Langkat granted Zijlker the rights to start drilling, it took him only two attempts to discover a massive oil reserve under Telaga Tunggal. In 1885, Zijlker was commercially producing oil from his well, which lay only 121 meters under the surface.[9] What followed was an oil boom. During this pioneering phase, companies and individuals sought concessions, geographic knowledge and privileges to extract Sumatran oil. Later, competitors grouped together and the most hawkish company of all, Royal Dutch, managed to consolidate its monopoly in Indonesia.

In the years 1904-1923, when Jambi was known to contain significant oil reserves, the region was plagued by various conflicts and scandals. The Jambi affair started about rights to explore for oil and culminated in a major international scandal between US department of state and the Dutch foreign ministry. The extended history of Dutch colonial oil is mainly documented from the perspective of the oil companies. Most notably, for the 100th anniversary of the Royal Dutch Shell (Shell) in 2007, a four-volume monograph consisting of 1800 pages on its history was published: *A History of Royal Dutch Shell*.[10] The first volume mentions the

[9] Ooijin Bee, *The Petroleum Resources of Indonesia*, (Oxford: Oxford University Press, 1982). 1-2.
[10] Joost Jonker, Jan Luiten van Zanden, Stephen Howarth and Keetie Sluyterman, *A History of Royal Dutch Shell*, (Oxford: Oxford University Press, 2007).

"Jambi saga" as a conflict where Shell was struggling with increasing state-involvement from both the Netherlands and the US, which ultimately was one of the reasons for the demise of Shell's oil industry in Indonesia, because the Dutch colonial government's profits through NIAM rendered Shell's activities "unprofitable".[11] Although this publication offers a meticulous account of the company's history (and its genesis in Indonesia), it remains exactly that – a corporate history. Fundamentally, this encyclopaedic work does not stand in conversation with of a growing body of scholarship on petroleum humanities, which argue that the relevance of petroleum goes beyond the corporate narrative of economic growth and technological advancement.

The Jambi affair has also been mentioned by other studies, but more tailored research is nevertheless lacking. In perhaps the most insightful article about the Jambi affair dating to 1958, Peter Reed studies Standard Oil's involvement in Jambi between 1898-1928. Reed concludes how the US got involved in Jambi due to Royal Dutch's pressure on the Dutch government to exclude Standard Oil in order to avoid competition – the Dutch fear of being a "non-reciprocating" country opened its colony to US investment.[12] In 1994, Elsbeth Locher-Scholten wrote an in-depth monograph about the Dutch pacification of the Jambi region. Locher-Scholten argues that the promise of a future oil industry in central Sumatra assisted Dutch colonial administration to expand into remote areas where previously trade was only controlled by means of strategic fortifications.[13] In 2018, Corey Ross discussed Sumatran oil extraction in relation to empire and ecology. Ross demonstrates how the colonial extraction of resources caused irreversible damage to environments in the tropics. Ross recounts how the pristine jungles of Sumatra were systematically removed for the benefit of rubber plantations and oil extraction, whereafter the Dutch left the island behind "wrecked, charred, polluted and degraded".[14] In summary, the notable hiatus in literature discussing the Jambi affair is the process between the Dutch state and Royal Dutch leading to NIAM and its significance for the post-WWII Dutch petroleum industry.

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[11] Joost Jonker and Jan Luiten van Zanden, *Geschiedenis van Koninklijke Shell: Van Nieuwkomer tot Marktleider, 1890-1939,* (Amsterdam: Boom, 2007), 264-269 431-432.
[12] Peter Mellish Reed, "Standard Oil in Indonesia*", The Business History Review*, Vol. 32, No. 3 (1958), 311-337.
[13] Elsbeth Locher-Scholten, 203-240.
[14] Corey Ross, *Ecology and Power in the Age of Empire: Europe and the Transformation of the Tropical World*, (Oxford: Oxford University Press, 2018), 235-236.

Petrostates and Corporate Sovereignty

Although not much has been written about the Dutch petrostate in Jambi, the wider topic of petrostates and oil companies is not unexplored territory. Often, petrostates are understood through the lens of a particular form of resource determinism. It comes down to a simple observation; nations with large oil and natural gas reserves tend to have a political system with little to no accountability. At its core, petrostates are marked by the "paradox of plenty": healthy petroleum rents on the one hand, but poor economic and political performance on the other.[15] In other words, petrostates are understood to be oil-rich countries where oligarchies rule by repression, and whose positions of power are dependent on revenues from the petroleum industry. On closer examination, however, petrostates are more complicated than the premise of resource determinism makes believe. Timothy Mitchel observes that "the leading industrialised countries are also oil states."[16] The political and economic life of "liberal democracies" are reliant on oil's carbon energy. The petrostate, then, is a form of petropolitics that is derived from the mutual dependencies between the state and the oil companies.

The mutual dependency between "states" and "corporations" has a long history and relates strongly to the notion of "sovereignty" in political theory. The dependency between states and corporations has an overwhelming impact on the state's ability to exercise sovereign power over its own dominium. A pivotal publication on sovereignty in Western political thought is Thomas Hobbes' *Leviathan*. Hobbes theorises that to avoid the state of human nature, or the "condition of war of every one against every one", mankind must make contract with the sovereign who presides over the state.[17] The state's unitary sovereign power to force its subjects to follow the laws it prescribes put an end to political turmoil within its dominium. What about territories outside of the state's dominium? With the emergence of settler colonialism and commercial empires, sovereigns granted special charters to corporate entities such as the East India Company. These charters suspended the sovereign's prescribed laws and empowered corporations to take control by institutionalising colonial courts or declaring and waging wars.[18] Essentially, the state relied on corporations to rule and exploit territory, while corporations were reliant on the state's "sovereign gift", also known as the "charter".

[15] Terry Lynn Karl, *The Paradox of Plenty: Oil Booms and Petro-States,* (Berkeley: University of California Press, 1997).
[16] Timothy Mitchell, *Carbon Democracy: Political Power in the Age of Oil*, (London: Verso, 2011), 6.
[17] Thomas Hobbes, *Leviathan*, (London: Green Dragon in St. Pauls Churchyard, 1651), 79. https://socialsciences.mcmaster.ca/econ/ugcm/3ll3/hobbes/Leviathan.pdf. Last accessed, 11 December 2022.
[18] Joshua Barkan, *Corporate Sovereignty: Law and Government under* Capitalism, (Minneapolis: University of Minnesota Press, 2013), 34.

This shared sovereignty blurs the lines between what is state and non-state. Mitchel posits that the distinction between "state" and "non-state" is not a line between two entities. Rather, it is the result of structural effect of state: "we should examine … [the state] not as a structure, but as the powerful, apparently metaphysical effect of practices that make such structures appear."[19] In other words, corporations can wield so-called "sovereign power", while being politically insulated by the artificial distinctions between state and corporation. Giorgio Agamben in *Homo Sacer* expands on sovereignty and the law's ability to suspend itself. Agamben posits that the "ban", or power to decide over exceptions in law, represents the "historical root of sovereignty": "the sovereign sphere is the sphere in which it is permitted to kill without committing homicide".[20]

Joshua Barkan builds on Agamben's concept of sovereignty in what he calls "corporate sovereignty". Barkan argues that "corporate power should be rethought as a mode of political sovereignty".[21] Through their ability to suspend the law, corporations have *de facto* been functioning as sovereign entities: "corporate sovereignty highlights the way the law's ability to suspend itself enabled corporations to exercise prerogatives of sovereign power in the name of governing life."[22] The state and the corporation, however, are not involved in a zero-sum game; Barkan argues that they are ontologically linked through mutual dependencies as seen in corporate "charters" and the sovereign "ban". The relationship between corporations and the state is somewhat paradoxical; corporations emerge from the law but continuously threaten the validity of these laws: "the fate of state sovereignty and corporate power are conjoined and also in conflict."[23] This paradox also lies at the heart of the petrostate: a state that creates a national oil industry, which then simultaneously relies on and undermines its host nation.

The "doubling" position in and out the law is not only relevant for the world's supermajors (the largest private oil companies e.g., Shell), it is also an important symptom of national oil industries. Currently, the supermajors are vastly overshadowed by state oil. State oil pumps up three-fifths of the world's oil production, and the top-five oil producing companies are state-owned.[24] The dominance of national oil companies (NOCs) mainly stems from nationalisations following the waves of decolonisation in the post-WWII period. Scholars

[19] Timothy Mitchel, "Society, Economy, and the State Effect", In *State/Culture: State-Formation after the Cultural Turn*, ed. George Steinmetz, (Ithaca: Cornell University Press, 1999), 89.
[20] Giorgo Agamben, *Homo Sacer: Sovereign Power and Bare Life*, (Stanford: Stanford University Press, 1998), 83.
[21] Barkan, 4.
[22] Barkan, 8.
[23] Barkan, 4.
[24] "Nationally Determined Contributors", *The Economist*, July 30, 2022, 47-48.

of NOCs argue that they are enterprises promoting national sovereignty; be it for reasons of sustainable economic growth or expelling foreign actors.[25] Conversely, however, NOCs are often harder to regulate than the private oil companies that preceded them. David Victor, for instance, argues that the vast majority of NOCs are, in one way or another, public-private enterprises. This hybrid function, according to Victor: "… often undermined the ability of host governments to act strategically", and that many NOCs have become "… states within a state".[26] The state's seat at the table of the oil industry is often used against the state's own interest because business interests do not necessarily line up with the national interest.

Valerie Marcel has studied how the historical context of NOCs in the Middle East continues to influence the present political economy. Marcel argues that there are crucial power asymmetries between the host government and its NOC that are founded in the industry's technical and commercial know-how in contrast to the state's relative ignorance in exploiting an oil field. The largest study of NOCs to date, the edited volume *Oil and Governance*, explains the political power of NOC by arguing that "foreign companies were kept at arm's length and competed to provide information and revenues to host governments." In contrast, "NOCs … concentrated their political talents on building their own political foundations and insulating themselves from government."[27] Taking NIAM's public-private structure into account, it should be studied in relation to the theoretical framework of "corporate sovereignty" and "NOCs".

Undemocratic Politics and Colonial Frontiers

Considering the vital importance of oil for the survival of liberal democracies, oil corporations inhabit a crucial place in political economies.[28] The petroleum industry undercut coal's possibility of political action. Labour strikes that occurred in coal's fragile energy links were responsible for democratic reform in industrialised countries. Due to the liquid nature of oil, it easily flows from place to place without the demand for a large workforce. Unlike the transportation of coal, where a single strike could hold up the entire supply chain, oil could

[25] David G. Victor, "National Oil Companies and the Future of the Oil Industry", *Annual Review of Resource Economics*, vol. 5, (2013), 446.
[26] Victor, 449.
[27] David Victor, David Hults, Mark Thurber, "Introduction", in *Oil and Governance: State-Owned Enterprises and the World Energy Supply*, ed. David Victor, David Hults and Mark Thurber, (Cambridge: Cambridge University Press, 2012), 10.
[28] Timothy Mitchel argues how oil can be seen *as* democracy in *Carbon Democracy: Political Power in the Age of Oil*, (London: Verso, 2011).

easily be rerouted like electricity on a grid.[29] Mitchel posits that the oil industry has a powerful grip on liberal democracies because it consists of a “technical zone” that is easy to control and enables the flow of oil to be predictable and governable for political elites.[30] Such technical zones consist of the infrastructure that is used to extract oil (e.g., oil rigs, pipelines).

Scholars have pointed out how the control and extraction of oil reserves often happens on remote frontiers of a nation’s territory.[31] These oil frontiers are part of the governable “technical zone” that makes up the petroleum industry. Michael Watts describes these governable spaces as the “oil complex”, which consists off all the actors involved in the political economy of oil. At the heart of this web of entanglements is the state *together* with the oil company.[32] These entangled relationships are what I call petropolitics. Oil frontiers, according to Watts, are the sum of “the militarised oil concession, the corporate joint venture, racialised labour forces, and the infrastructure of wells, pipelines, and flow stations: it is a particular sort of networked space”.[33] In controlling critical infrastructure such pipelines and refineries, oil companies are in a particularly strong position, but they rely on the state for territorial concessions. The oil complex is therefore inherently a public-private venture.

Jambi is an example of such an oil frontier. During the early 20th century, the state and the oil companies were scrambling to create governable zones that could support an oil industry. As the Jambian example clearly demonstrates, the notion of an “oil frontier” is tightly related to extractive (post)colonialism. Extractive colonialism in the remote periphery of European colonies is often referred to as a “resource frontier”. As the environmental anthropologist Anna Tsing notes, resource frontiers are not natural occurrences but rather constructed realities in the imagination of the coloniser: “frontiers make wildness, entangling visions and vines and violence; their wildness is *both* material and imaginative”.[34] Resource frontiers, then, are characterised by confusion between what is legal and what is illegal, and between what is public and private. This messiness of global capitalism is explained by

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[29] A recent example of the fluidity of the petroleum trade comes from tankers carrying liquefied natural gas making dramatic U-turns and diverting multiple times mid-voyage in order to sell to the highest bidder. “Ships carrying natural gas head for Europe as prices surge to new high”, *Financial Times*, 21 December 2021, https://www.ft.com/content/4885b7f5-97a2-4e66-af91-a9211956b0f5. Last accessed, 17 May 2022.
[30] Mitchel, 409.
[31] Per Högselius, “The Historical Dynamics of Resource Frontiers”, *Zeitschrift für Geschichte der Wissenschaften, Technik und Medizin*, volume 28, (2020), 253–266.
[32] Michael Watts, “Righteous Oil?: Human Rights, the Oil Complex, and Corporate Social Responsibility”, *Annual Review of Environment and Resources* 30:1 (2005), 373-407
[33] Michael Watts, “Securing Oil: Frontiers, Risk, and Spaces of Accumulated Insecurity”, in *Subterranean Estates: Life Worlds of Oil and Gas,* ed. Hannah Appel, Arthur Mason, and Michael Watts, (Ithaca: Cornell University Press), 221.
[34] Anna Lowenhaupt Tsing, *Friction: An Ethnography of Global Connection*, (New Jersey: Princeton University Press, 2005), 29.

"friction": a metaphor to describe the wide-ranging social interaction that produce conflict among various players but is also responsible for the dynamism of the contemporary globalised world.[35]

Katrhryn Yusoff makes the case that colonial resource extraction is the marker indicating the golden spike leading us into a new epoch: the age of the humans, or "Anthropocene". The irreversible imprint on the earth, however, is not a neutral imprint. Yusoff challenges the racial blindness of the Anthropocene; the logics of (colonial) extraction was a praxis of dispossession. In other words, geo-sciences are culturally situated in a racially charged reality of European colonialism. Drilling for oil is not simply the science of harnessing hydrocarbons for fuel. The genealogy of this praxis demonstrates an undeniable link to environmental racism. Indeed, empirical studies continuously confirm how marginalised communities are unequally affected by "sacrifice zones" of the petroleum industry.[36] In colonial resource frontiers, these geo-logics make up the "hinge that joins indigenous genocide, slavery, and settler colonialism through an indifferent structure of extraction".[37] For environmental historians, it is important not to turn a blind eye to the contemporary continuation of extractive geo-practices. The praxis of colonial oil extraction on Sumatra is inextricably linked to the logics of Dutch colonial rule, and the current *modus operandi* of the Dutch petrostate is inherently situated in this rich history of extractive practices.

Structure and Methodology

As I have attempted to explain in the theoretical body of this thesis, petroleum extraction is situated in a particular undemocratic context where oil companies are in conjoined conflict with the state. This body of theory will be present on the backdrop of the investigation into the process where the Dutch state and Royal Dutch inched towards a joint venture that would exploit Jambian oil. The crux is to kick off a debate about whether the current petropolitics can be part of the solution for the problems it has caused itself: oil to evade democratic pressures, a practically institutionalised petroleum lobby, and ongoing climate inaction.

The story of Jambi's oil history will be told in four chapters. First, I look for the motives for the Dutch government to close the Jambian oil fields for state exploration in 1904. Around

[35] Tsing, 27-50.
[36] "Sacrifice zone" is a term often used by environmental justice scholars to describe geographic areas that are ecologically impaired due to corporate business practices. Unsurprisingly, the population of these zones are usually low-income or marginalised in some other way. Ned Randolph, "Pipeline Logic and Culpability: Establishing a Continuum of Harm for Sacrifice Zones. Front," *Environmental Science* 9:652691 (2021).
[37] Kathryn Yusoff, *Billion Black Anthropocenes or None,* (Minneapolis: University of Minnesota Press, 2018), 107.

the turn of the 20th century, when oil became a geopolitical significant resource, the state wanted more control over its oil reserves. This state intervention in the *laissez-faire* Indonesian economy introduced competition between the Sumatran oil prospectors and the Dutch government. At the same time, the state wanted to maximise the revenues from Jambian oil to finance ongoing military campaigns in Indonesia. Oil companies, however, were also crucial for the state to turn a profit. The resulting dynamics help understand the historical context of the closure of the Jambian oil fields and the mark the start of the Jambi affair.

After the closure of the Jambian fields, the Dutch parliament started to get involved in the Indonesian petropolitics. Growing left-wing forces wanted to reign in both Royal Dutch's increasing power as well as the imperialist's cost-heavy military campaigns in Indonesia. Parliament's call for state exploitation of Jambian oil presented a dilemma for imperialists and Royal Dutch. In Chapter II, I analyse how Royal Dutch and Dutch Imperialists tried to evade parliament's democratic pressures. Multiple attempts to pass legislation to exploit Jambian oil stranded in parliament. These consecutive attempts left ultimately a mark on NIAM's blueprint that defined its operations in the future.

Chapter III continues Jambi's oil saga with US involvement. Fears of "peak oil" caused the US to look at foreign oil reserves; and eyes fell upon the un-exploited oil fields in Jambi. Royal Dutch and the Dutch government rushed to pass legislature through parliament in order to create the NIAM, which could exploit Jambi's oil before the US could get a foot in the door. The Dutch government was deeply disturbed by the US diplomatic involvement. This chapter looks at the three-way negotiations between the US, Dutch government and Royal Dutch, and answers how the conflict influenced the Dutch government's relationship with Royal Dutch a time when NIAM was passed into legislation.

Finally, chapter IV ties NIAM's operational and legal structure into the wider theoretical context of NOCs. By embedding the case study of NIAM in this context, I question the extent of undemocratic forces in its inception and regulatory risks in its operation. In doing so, I lay-out my analysis of how NIAM's foundational philosophy serves as a blueprint for the oil complex in the Netherlands.

As scholars who study corporate history or parastatal companies such as NIAM have expanded on, the biggest problem is access to source material. Irvine Anderson in his book on the history of the Standard-Vacuum Oil Company (Standard Oil's subsidiary in South-East Asia) discusses this problem in-depth. Several constraints in writing such an oil history include the fact that no internal documents of the company seem to exist. In the case of the Standard-Vacuum Company, documents were deliberately destroyed after the company ceased to exist in 1962.[38] Anderson, nevertheless, manages to write an insightful monograph through creatively assessing sources that he *did* have access to, which includes correspondence in national archives. The resulting study focusses on Standard-Vacuum's governmental relations, and less on its internal decision-making process.

In this thesis, I work with similar constraints. Although Shell plc (the current iteration of Royal Dutch) does keep historical records archived in The Hague, receiving full access is not straightforward. My enquiry about the possibility of visiting Shell's archive was neither declined nor accepted. Instead, "in line with Shell's commitment to facilitate academic research", I was referred to the archival references in Shell's official narrative in: *A History of Royal Dutch Shell*. This is problematic for two reasons. First, Shell gets to write its own history, void of academic scrutiny. Second, Shell's archive is privately preserved. Although apparently positive (Standard-Vacuum's records were destroyed), it does mean Shell gets to pick and choose what is available for public use. Nevertheless, *A History of Royal Dutch Shell* is cited extensively in this thesis; the narrative, however, is critically assessed.

The bulk of the archival records used in this thesis were accessed in the *Nationaal Archief* in The Hague. The *Nationaal Archief* houses, amongst many others, the records from the Ministry of Colonies, the Mining Department, Foreign Ministry, as well as relevant family archives. These governmental departments corresponded regularly with (and about) Royal Dutch, and therefore provide an important insight into the corporate-governmental relations of Dutch petropolitics in Jambi. Ann Laura Stoler's methodological insights from working with colonial archives is that the archive is a place of condensed political anxieties, not merely a collection of biased sources. Stoler argues that colonial archives can best be read without a grand narrative of colonialism. As such, by reading along with the archival anxieties, the records become "sites of contested cultural knowledge."[39] In my view, the Dutch petrostate is a colonial relic hiding in plain sight. Reading along with the worldview of its fossil records can excavate the ruins of contested beliefs that have long been purposely buried underground.

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[38] Irvine Anderson, *The Standard-Vacuum Oil Company and United States East Asian Policy, 1933-1941,* (Princeton: Princeton University Press, 2015), 5.
[39] Ann Laura Stoler, *Along the Archival Grain: Epistemic Anxieties and Colonial Common Sense*, (Princeton: Princeton University Press, 2009), 32.

Chapter I: The Closure of the Oil Frontier

Djambi's oil story is told in a few words. Its preface has only yet been written. Its plot is being conceived in the brains of statesmen and rival contenders and its denouement cannot be forecast by the world's most expert prognosticators.[40]

In July 1921, the Netherlands Chamber of Commerce in New York published an article in its journal, *Holland and her Colonies*, to inform US print media about the Jambi affair. The article was an attempt by the Dutch government to influence US newspapers to encourage favourable press. In 1894, a scientific review of petroleum in Sumatra already predicted a clash between the Dutch and US interests regarding Sumatran oil: "… as the quality of oil is very good, it is thought that Sumatra may, before very long, enter into serious competition with Russia and America".[41] Almost prophetically, on the 16th of November 1904, the Governor General of the East Indies, Johannes van Heutsz, barred oil prospectors from Jambi and closed the region for exploitation. When it became apparent that Jambi would finally be opened only to Netherlands-based companies in 1920, a diplomatic row with the US government ensued.[42] Unlike the author of the article suggests, however, it takes more than a "few words" to understand Jambi's relation to its oil riches. This chapter will seek to answer the question why did the Governor General of the Dutch East Indies decide to close the Jambi oil field indefinitely in 1904, despite petroleum being Jambi's primary economic promise?

Corporate Colonialism and the Jambian Resource Frontier

Around the turn of the 20th century, "rogue sultanates" controlled trade through piracy on the oil-rich eastern coast of Sumatra. Sumatra had only partly been subjected to Dutch direct rule and military campaigns were pushing deeper into the island's periphery. Elsbeth Locher-Scholten describes the imperial campaigns into Jambi. The promise of a future oil industry partly motivated and financed expeditions into the mainland.[43] The inlands of Jambi, however, was still "virgin territory" for European colonialists. Anna Tsing describes the disclosure of

[40] Jambi Concession in *Holland and her Colonies*, 1921, nr. 1793, 2.05.37, Inventaris van het archief van de Directie Economische Zaken van het Ministerie van Buitenlandse Zaken, 1919- 1940, *Nationaal Archief (NA)*.
[41] "Petroleum in Sumatra", *Scientific American*, Vol. 71, No. 4 (1894), 70.
[42] Jambi Concession in *Holland and her Colonies, NA.*
[43] Corey Ross, *Ecology and Power in the Age of Empire: Europe and the Transformation of the Tropical World*, (Oxford: Oxford University Press, 2018), 235-236.

resource frontiers like Jambi: "an edge of space and time: a zone of not yet – not yet mapped, not yet regulated".[44]

It was not just the Dutch colonial state, however, which sought to domesticate the Jambian frontier and regulate its resources. In part, it was also a corporate-driven colonial project. In 19th century Indonesia, after the abolishment of the "cultivation system" (*cultuurstelsel*) in 1870, resource extraction was liberalised, and private enterprise was heavily encouraged. This free-trade *laissez-faire* era saw the introduction of corporations and private landowners who exploited mining concessions and operated the plantation economy.[45] During the late 1880s, this led to the first oil prospectors who, as non-state actors, marked the beginning of Sumatra's oil frontier. Precisely the messiness of this oil frontier – where the borders between legal/illegal and public/private are vague – demarcate the genesis of Dutch petropolitics. For the first time, the Dutch state underheld contacts with oil prospectors – both as business partners and competitors.

The first contacts between Jambi and the Dutch colonial administration took place during the 1830s. In this period, the Dutch Sumatra policy, as formulated by Governor General Johannes van den Bosch, was targeted at controlling indigenous trade. A notable obstacle regarding this policy was piracy. Piracy was traditionally an honourable profession in South-East Asia and closely interwoven with trade. From a European perspective, these traders often meddled with the less than ethical practice of banditry. Local kings and sultans in the Indonesian archipelago were usually willing to offer protection to these pirate-traders in exchange for a percentage of the loot. For the Jambian sultans, who ruled over an impoverished sultanate, piracy was an important part of their income.[46]

For European traders, this form of piracy was less of a problem. Raids on their ships would regularly result in punitive expeditions aimed at the sultans or kings who protected pirates. As such, piracy only formed a serious impediment for the indigenous traders who operated on smaller and more vulnerable vessels. For van den Bosch to execute his Sumatra policy, piracy needed to be dealt with quickly. At this time, the Dutch East Indies government (Batavia) had considerable freedom in conducting its own policy. The Dutch government (The Hague) would only be notified of events in the East Indies months later due to dependency on sailboats and monsoon winds. After steamships became more widespread, the Suez Canal

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[44] Tsing, 28-29.

[45] Ann Laura Stoler, *Capitalism and Confrontation in Sumatra's Plantation Belt, 1870-1979*, (New Haven: Yale University Press, 1985).

[46] Locher-Scholten, 49-50.

opened, and the first telegraph connections were constructed in 1870, The Hague gradually increased its direct influence on East India policy through the ministry of colonies.[47]

Remarks from civil servants demonstrate that Batavia never expected economic yields from Jambi. In 1834, one colonial advisor suggested that Jambi would always remain an annoyance and an expense to the Dutch treasury.[48] The economic motivation to sign a contract with the sultan of Jambi in 1834 was, thus, to control piracy and thereby increase trade revenue on Sumatra's west coast. For the next two decades, Batavia was content with controlling Jambi's trade and piracy by means of a small fort at the at the mouth of the river Batang Hari. It was not until foreign powers started showing interest in Sumatra that the Dutch were forced inland to exert their international claim over the island. In 1858, following competition from Britain and the US, Batavia invaded Jambi and installed a puppet sultan. The former sultan Taha Saifuddin fled upriver and continued to maintain a small kingdom in the region. In the early 1900s, when the Netherlands aimed at uniformization of its direct rule in Sumatra, Batavia organised a new military expedition in Jambi. In 1904, Taha was ousted and killed by Dutch soldiers. By 1906, Batavia installed Oscar Helfrich as the first colonial resident of Jambi.

Locher-Scholten's analysis of Jambi's gradual occupation by the Dutch can be summarised as the process of Dutch colonial state formation in Indonesia. Although the region was known to be rich in oil before the 1900s, and indeed officials did use oil to argue that the cost of imperial expansion would prove worthwhile, Locher-Scholten argues that the divide between economic and administrative drivers of modern imperialism were slowly disappearing. The economic driver – a future petroleum industry – was quickly politicised and became part of a much wider political problem: Batavia's inability to enforce its governmental authority. In the following decades after Taha fled upriver in 1858, he continued to grow his influence in the region, thereby challenging the Dutch colonial authority. At most, oil was a "useful tool for pacification".[49] When Batavia enacted a military campaign and ended the Jambian sultanate in 1904, Locher-Scholten identifies the main cause as a discrepancy between indigenous administrations who could not meet the new judicial, administrative, and economic requirements of the modern Western (colonial) state.[50]

At the same time, however, oil prospectors likely entertained the opposite perspective: "pacification as an useful tool for oil." As Locher-Scholten argues, Dutch imperial elites did

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[47] Herman Burgers, *De Garoeda en de Ooijevaar: Van Kolonie tot Nationale Staat*, (KITLV: Leiden, 2012), 100.
[48] Referenced after Locher-Scholten, 83.
[49] Locher-Scholten, 238-239.
[50] Locher-Scholten, 291-292.

not breach the Jambian frontier for its oil. It is important to underline, nevertheless, that corporate interests also drove Dutch imperialists into Jambi. These interests sought mineral mining concessions; land for plantations; and cheap labour forces. Corporate and imperial elites' interests aligned in regulating the Jambian frontier while having different motivations. Batavia harboured a dream in of direct rule in Indonesia. Oil companies, with their capitalist drive to thrust into the frontiers, could help to make this dream a reality. Moreover, imperial elites usually had business strong interests.[51] The division between imperial elites and oil prospectors was usually artificial at most.

The development of Dutch colonial state formation in Jambi shows the significance of oil and the colonial administrative interests in the region. It does not, nevertheless, accurately explain why the oil fields were closed indefinitely in 1904. Even if oil was only a "useful tool for pacification", it would still make economic (and probably administrative) sense to exploit this resource and develop the impoverished Jambi region.

Helfrich, the first Dutch resident of Jambi, reported that the Swiss geologist August Tobler, who was appointed by the Dutch Mining Department to map the oil fields in Sumatra, finished the initial phase of his exploration for Jambian oil in 1906. Following Helfrich's failed attempts to get an oil industry started in Jambi he comments that this "obviously causes great damage to the interests of both the country and colony".[52] In 1913, the next resident of Jambi A.L. Heyting, comments in his final report that Tobler finished his six-year expedition in 1912. Tobler confirmed the region was extremely rich in oil. Heyting, however, is also frustrated by the slow bureaucracy inhibiting the exploitation of geologic resources. He complains that oil can prove to be of great importance for development of Jambi but the large number of applications for private concessions and explorations are still being processed by the Dutch East Indies Mining Department.[53] It almost seems like Batavia was actively slowing down progress.

The Sumatran "Black-Gold" Rush

The early 1900s were, in fact, early days for the Indonesian oil industry. Before the 20th century, the primary use of oil was to provide paraffin for oil lamps or lubrication for machinery. It was

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[51] A. Taselaar, *De Nederlandse Koloniale Lobby: Ondernemers en de Indische Politiek 1914-1949*, (Leiden 1998), 2.

[52] Memorie van Overgave van de residentie Djambi, O.L. Helfrich (resident), 1908, nr. 216, 2.10.39, Inventaris van de Memories van Overgave, 1852-1962 (1963), *NA*.

[53] Memorie van Overgave van de residentie Djambi, Th. A.L. Heyting (resident), 1913, nr. 218, 2.10.39 Inventaris van de Memories van Overgave, 1852-1962 (1963), *NA*.

distributed in small amounts to individual consumers in reusable tin metal cans.[54] At this point, the Dutch government welcomed pioneers drilling for petroleum in Indonesia but was not particularly involved in controlling the industry's revenues or yields. This is illustrated by Emile Deen's analysis of the Jambi affair in 1912. Deen, together with his brother Jacques, was an early oil prospector and founder of the Zuid-Perlak Petroleum Company who was actively involved with the Jambi affair through his attempts to acquire concessions. He argued that the state left oil exploitation to the private sector for very practical reasons:

> *... if the State were to obtain an oil source, the first difficulties would emerge not because the product could not be brought to the coast by pipeline and not because it could not be refined, but because one would be forced to create large business networks in China, Japan and the English East Indies in order to sell the oil; no one would dare to dispute that this is not feasible for the State.*[55]

This narrative was widely shared by officials within the Dutch East Indies. In the late 1910s, minister of colonies Simon de Graaff pointed out that: "In the oil business, the issue of transport and marketing plays a major role", which the state could not fulfil.[56] In the early 1900s, however, Batavia was content with the profits it received from granting the concessions. This attitude started changing when the global market for petroleum was maturing. The introduction of the combustion engine saw a revolution in the transport sector through the automobile, reconfiguration of ship engines, and later the aviation boom.[57] Oil companies started making large profits without an increase in costs. These easy rents, however, did not go unnoticed. The oil boom drastically increased the influence of the corporate oil industry, which put the relationship with the Hague and Batavia on edge. As oil increasingly became a vital tactical resource, the state had bigger stakes in its cheap and constant supply. To ensure a constant supply, however, the state was also heavily reliant on the transportation and market networks of the oil companies.

Local administrators, as we have seen, were frustrated with the closure of the Jambian oil fields. Unsurprisingly, this frustration was shared by the growing oil industry in Indonesia. After two decades of small-scale explorations for oil and some failed attempts at commercial drilling, Aeilko Zijlstra, a Dutch tobacco plantation manager from Groningen, got his first

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[54] Mitchel, 33.
[55] Baas in Eigen Huis, Emile Deen, 1912, nr. 1804, 2.22.28 Inventaris van een verzameling brochures, afkomstig uit de nalatenschap van de familie De Beaufort, (1815) 1863-1941 (1951), *NA*.
[56] J. Gerritzen, "Het Djambi Ontwerp", *De Economist: Netherlands Economic Review* 70,1 (1921), 168.
[57] Daniel Yergin, *The Prize: The Epic Quest for Oil, Money, and Power*, (New York: Simon & Schuster, 1991), 117

concession granted from the Sultan of Langkat to exploit oil wells in the region in 1881. Zijlker immediately returned to the Netherlands to drum up financial and political support for his oil venture. Political support was important because the Dutch Mining Department regulated that applicants for concessions could only be granted permission to drill for oil after a Dutch Mining Department engineer had done a geological survey. Reluctantly, a state-employed geologist was sent to Langkat, and Zijlker could start drilling in 1884. Moreover, the Hague and Batavia were generally opposed to public involvement in private enterprise, which made the expensive practice of building infrastructure for oil extraction in the middle of the jungle complicated without any governmental assistance. Zijlker's political lobbying, however, paid off; when Zijlker ran out of capital in 1886, he managed to secure support from the highest order. Governor General Otto van Rees personally instructed the Dutch Mining Department to comply with Zijlker's wishes, and thus a few deeper wells were drilled by state-engineers in Zijlker's oil fields.[58]

The results of these drillings under supervision of the experienced state-engineers were positive. Despite many setbacks, mainly due to the tropical environment and hostile islanders, the main engineer, Reinder Fennema, published a report concluding that the wells in Langkat could result in a profitable commercial business. Furthermore, after comparing oil extraction in the US with Langkat, Fennema argues that the yield of oil wells in Sumatra equal, if not surpass, those in Pensylvania. He states: "… one can therefore only expect the yield of the wells in Langkat to be significant"[59] The impact of official state geologic rapports was crucial. With the government rapport published, Zijlker secured the backing of important financiers. In 1890, the Royal Dutch Petroleum Company was established and started operating Zijlstra's concessions in Sumatra. After several more tumultuous years, a pipeline was constructed and the oil wells in Telaga-Said provided a strong operational base for Royal Dutch to expand on.[60]

The history of Zijlker's trailblazing operations in Sumatra are relevant for Jambi's oil story for two reasons. First, Langkat was the first important meeting ground for state and private enterprise when it came to the petroleum industry. Zijlker, son of a prominent member of parliament, demonstrated the importance of political lobbying for the operations of an oil company in the Dutch East Indies. Concessions had to be granted, regulations were to be met, and most importantly, investment needed to be secured. Second, since funding expeditions in

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[58] J.Ph. Poley, *Eroïca: the Quest for Oil in Indonesia* (1858-1898), (Dordrecht: Kluwer Academic Publishers, 2000), 89-91.
[59] Reinder Fennema, "Verslag van een Onderzoek naar Petroleum in Langkat", in *Jaarboek Mijnwezen*,(Amsterdam: Stemler 1890), 7.
[60] Poley, 92-101.

the jungle in search of oil was hardly a safe investment, geologic knowledge became more important. Oil prospectors could more easily secure funding when they could prove the productivity and commercial viability of certain oil fields.

While Zijlker and Royal Dutch were trying to set up their industry in Sumatra, another oil prospector, Adriaan Stoop, was drilling for oil in Java. In 1887, he established the Dordtsche petroleum company, which started producing oil for the market in 1889. By 1895, the commercial successes of Royal Dutch and Dordtsche triggered a black-gold rush for concessions in the Dutch East Indies.[61] Significant for Jambian oil was petroleum extraction in the neighbouring region of Palembang. Between 1896-1898 Royal Dutch was becoming increasingly concerned that its cash cow concession in Telaga-Said was drying up after the wells in Langkat started pumping up saline water instead of oil.[62] The director of Royal Dutch, August Kessler, decided it was time to expand operations in Sumatra. This resulted in various concessions in Perlak (North-Sumatra) and in Palembang. Kessler resorted to a new industry strategy that became the standard practice in the future business endeavours of Royal Dutch. Every time a new large commercial oil field was discovered, a new company would be founded (or acquired) that could file for concessions and "operate" the field. Afterwards, profits flowed back to Royal Dutch, which then reinvested the money to found or acquire yet more subsidiaries. This allowed Royal Dutch to become a sprawling enterprise with complicated ventures and subsidiaries that increasingly were operating on a global scale. The consequence of this strategy was that Royal Dutch could systematically prospect new oil fields and diversify its income sources.[63]

In line with this strategy, the Sumatra-Palembang Petroleum Company (SUMPAL) was acquired by Royal Dutch in 1902. Another rival company, Muara Enim, was established to compete for exploitation of the oil wells in Palembang. Under the direction of Jan Willem Ijzerman, Muara Enim quickly became the largest oil producer of Sumatra – a dangerous rival for Royal Dutch. Since company geologists understood that oil deposits do not adhere to borders drawn by colonial administrators, interest in Jambian oil was increasing rapidly. Before the 1900s, oil companies were already prospecting that the oil-rich region of Palembang was merely the tip of the iceberg; the real prize would be the oilfields of inland Jambi. There was, however, one major problem. Before the military operations and the installation of a direct administration in East-Sumatra, exploration for oil in was dangerous – let alone the installing

[61] Poley, 108-116.
[62] Yergin, 118.
[63] Poley, 133.

oil wells and pipelines. These operations were usually carried out with armed protection, which was provided by the Dutch East Indies military.[64] Exploiting oil in undomesticated frontiers was a proto state-corporate venture, where the boundaries between both sides were only loosely defined.

August Tobler and the Production of Geologic Knowledge

Regardless of the dangers, both Royal Dutch and Muara Enim employed the Swiss geologist August Tobler to explore for oil in East-Sumatra. Tobler was a renowned geologist who was the first to accurately map oil reserves in Sumatra. The findings of his expeditions likely had a profound effect on the subsequent speculations regarding the oil fields in Palembang and Jambi. From 1900-1903, Tobler worked on a contract for Royal Dutch. Unlike his later work in Sumatra, these findings remain unpublished. Royal Dutch was known to be shrewd when it came down to systematic exploration for oil. Kessler understood if Tobler's findings were positive, the competition for concessions would be a lot stiffer; secrecy was a reoccurring theme in Royal Dutch's business conduct.[65] From 1903-1904, Tobler worked on a contract from Royal Dutch's rival: Muara Enim. For this contract Tobler mapped the southern Palembang region. It is unclear why Ijzerman, in contrast to Kessler, allowed Tobler to publish his findings. Possibly, Ijzerman attempted to create momentum in the Sumatran oil rush to thwart the monopolising efforts of Royal Dutch in the region. The results of Tobler's Muara Enim expedition were clear: Palembang was rich in high-grade oil. In neighbouring Jambi, Tobler expected similar, if not larger, deposits of oil.[66]

In 1906, Tobler signed a state-contract with the Dutch Mining Department to map Jambi's oil deposits. Tobler worked under this contract until 1912, and his findings were published almost year-by-year in unprecedented detail – the final 600-page report was published in 1922, just in time before the finalisation of the Jambi concession.[67] Despite Tobler and his crew being the sole geologists legally exploring for petroleum deposits in Jambi, the Dutch Mining Department's records show that illegal activities did occur. In 1909, Tobler reported that he discovered "unlawful drilling sites in Jambi, made by the petroleum company

[64] Jonker and van Zanden, 50-51.
[65] Jonker and van Zanden, 33.
[66] August Tobler, "Topographische und geologische Beschreibung der Petroleumgebiete bei Moeara Enim (Süd-Sumatra)", *Tijdschrift Kon. Nederlands Aardrijkskundig Genootschap*, 2, 23 (1906): 199- 315.
[67] J.T. van Gorsel, "August Tobler, the Swiss Pioneer of South Sumatra Geological Mapping, 1900-1912", *Berita Sedimentologi* 47 (2021): 63-78.

Moesi Ilir".[68] Moesi Ilir was acquired by Royal Dutch in 1906 as part of its strategy of using profits to invest systematic exploration.[69] In other words, Royal Dutch attempting to bypass Batavia's monopoly on geologic knowledge. Confusion between what is legal and what is illegal is one of the symptoms of a resource frontier. The frontier-logic explains the illegal drilling; in a region that is weakly regulated it is easy to follow your own rules. Royal Dutch was competing with the state over sovereignty in Jambi. Geologic surveying provided crucial knowledge to file for concessions. Ultimately, the mapping of Jambi's terrain was an important technology to regulate and rule the frontier. For the state and Royal Dutch, mapping Jambi meant presiding over its resources.

Considering Tobler's previous work for oil companies and his status as a prominent geologist, the Dutch state likely anticipated the impact of Tobler's publications. First, mapping a region meant regulating its resources, which allowed the state to benefit from the oil rents. Second, news of the biggest oil reserve in Sumatra would attract an army of prospectors. This picture is painted by records of the Dutch Mining Department. Records from 1908 show that there was a debate on the best form of exploitation of the Jambian oil fields that would be most profitable for the state. Keeping in mind that the state lacked the infrastructure, connections and expertise of the oil companies, devising the right venture to control the petroleum revenues was a complicated puzzle. Since pure state exploitation was very difficult (or ideologically undesirable), oil companies needed to be involved in some way or another. Records show examples how Tobler's employment by the Dutch Mining Department was taken advantage by the state. For instance, the Mining Department frequently advises the Governor General to delay handing out any concessions before Tobler finishes his explorations; the Mining Department translated Tobler's exploration results into policy and legislative recommendations for the Dutch parliament; and geographic knowledge, in the form of detailed maps by Tobler, were made accessible to favourable oil companies – usually Royal Dutch.[70]

The last example is further backed up by another entry in the records where the Governor General inquired about "persistent rumours" concerning governmental plans to go into business with Royal Dutch regarding the exploitation of Jambian oil. In a reply, a civil servant at the Mining Department reported that he cannot confirm the rumours, because the

[68] Note on Oil Exploration in Jambi, 1909, nr. 626, 2.10.36.11, Inventaris van het archief van het Ministerie van Koloniën: Toegangen Openbaar Verbaal, (1900) 1901-1953 (1962), *NA*.
[69] Frederik Gerretson, *History of the Royal Dutch Part II*, (Leiden: BRILL, 1955), 336.
[70] Records of the Dutch Mining Department, 1908, nr. 626, 2.10.36.11, Inventaris van het archief van het Ministerie van Koloniën: Toegangen Openbaar Verbaal, (1900) 1901-1953 (1962), *NA*.

official "position on that issue has yet to be determined."[71] Indeed, the records also show complaints submitted by other oil companies, including Dordtsche and Zuid-Perlak, regarding their concern that Royal Dutch was in some way privileged by the Mining Department.

Through creating a hype surrounding the Jambian oil fields and delaying concessions and exploitation, the state hoped to obtain a greater share of the revenues and tighter control of the flow of oil. Judging by Emile Deen's writing following a report from Tobler, expectations for productive oil wells were successfully raised. Deen describes his enthusiasm about the future yields of the Jambian oil fields after he received one of Tobler's reports about petroleum deposits in Jambi. Tobler described 19 anticline structures in Jambi that had trapped hydrocarbons. Deen admits that the quantity of oil can only be proven by starting operations, but he states that "… the fact that the Perlak oil field has already supplied about three million tons during its twelve years of operation and has not yet shown any signs of serious depletion, one can perhaps somewhat envision the extent of Jambi's petroleum wealth".[72]

Parliament and Democratic Pressures

At the time of Tobler's employment by the state in 1906, the world of coal was changing into the world of oil. As Timothy Mitchel points out, imperialists needed to control the flow of oil abroad to relieve themselves of democratic pressures at home. When Winston Churchill was first lord of the admiralty in Britain in 1911, the navy was getting tied into an expensive naval arms race with Germany. When the navy had completed phasing out of coal in favour of oil in 1914, steady supplies were more important than ever to keep Britain's most vital war machine afloat. By presenting the purchase of 51 percent of the shares in the Anglo-Persian Oil Company not as a budgeting issue but as an indispensable policy update, Churchill got the bill passed through parliament. As a result, Churchill secured a steady oil supply as well as retaining a mandate for his imperial ambitions in the Middle East, where Anglo-Persian operated.[73]

In the Netherlands there was a similar friction between democratic pressures at home and imperial ambitions abroad where oil played a pivotal role. Although Dutch imperialists did attempt to evade these democratic pressures by attempting to control oil supplies in Jambi, they did not initially succeed. Moreover, oil provided the Dutch parliament an opportunity to reign in Batavia's imperial ambitions. A different kind of politics was required to fulfil Dutch

[71] Records of the Dutch Mining Department, *NA*.
[72] Baas in Eigen Huis, Emile Deen, *NA*.
[73] Mitchel, 39-40.

imperial ambitions in Indonesia. The sharp-witted plan by the state to map out of Jambi's petroleum riches did not exactly work out as expected. After Batavia undertook military actions in Sumatra during the first years of the 1900s, parliament started to meddle in Jambian affairs.[74] These democratic pressures were increasingly questioning the expensive imperialistic campaigns taking place in far-away Indonesia. Due to peculiarities in Dutch mining regulations (in charge of regulating petroleum exploitation), oil gave the Dutch parliament a reason and a cause to project its influence on Jambian petropolitics.

Due to the dramatic surge in oil production in the Dutch East Indies from 95,000 metric tons in 1895 to 436,000 tons in 1900 (and over 2,000,000 in 1915), mining legislation was amended by parliament a few times to keep up with these increases.[75] A result of the rise in production of high-quality oil was the involvement of British and American competitors. The world's largest oil company, Standard Oil, was especially feared for its track record of ruthless business conduct. In 1897, Standard Oil attempted to take over Ijzerman's Muara Enim, which held concessions in Palembang. This caused the minister of colonies, Jacob Cremer, to draft protectionist mining legislation in parliament, which subsequently passed his amendment. An important change was that only Dutch citizens and Dutch companies could operate state-granted concessions, which effectively sabotaged Standard Oil's takeover of Muara Enim and barred the US from operating in the Dutch East Indies.

Although Batavia likely harboured anxieties about foreign interference in the Dutch East Indies, barring foreign competition from applying for concessions in Indonesia was also very convenient for Royal Dutch. Unfortunately, archival evidence is lacking to confirm that Royal Dutch sounded the alarm but considering the short lines of communication with Dutch politics, it is not hard to imagine that political lobbying was involved. Furthermore, Cremer's amendment granted the Governor General of the East Indies the authority to close a region for private exploitation if that is in the interest of a "common good".[76] Essentially, Cremer's amendment to the mining legislation used fear of foreign interference in the colony to increase Batavia's executive powers in Indonesia. Batavia gained the authority to shut down entire regions to control the oil concessions; precisely the powers that van Heutsz used to close the Jambian oil fields in 1904. Considering that Royal Dutch held the best cards to obtain the Jambian concessions, the company was hardly complaining.

[74] Locher-Scholten, 226-227.
[75] E.P. Wellenstein, *Het Indisch Mijnbouwvraagstuk*, (Den Haag: Martinus Nijhoff, 1918), 34.
[76] Wellenstein, 54-62.

The early 1900s marked a departure of the "*laissez faire, laissez aller*" system that had been prevalent before. The growing state involvement in mining exploitation had a lot to do with oil, particularly in Jambi. The notion of state involvement in the oil industry, however, provoked exactly the democratic pressures that inhibited the exploitation of Jambian oil far longer than Batavia had bargained for. The growing left-wing influence in the Dutch politics, especially after the Social Democratic Labour Party gained its first seats in parliament in 1897, meant that the debate on Dutch imperialism and state-oil started to shift. While previously Cremer could use anxieties about Jambian oil to convince parliament to grant a mandate for Dutch imperial authority, left-wing forces would turn state exploitation of oil into an ideological argument, thereby challenging the notion of Dutch imperialism at its core. Those in favour of state exploitation argued that it would "provide a counterbalance against the force of monopoly-seeking companies in the Indies" as well as providing cheap fuel and electricity for the Dutch public.[77] Seeing how Royal Dutch was quickly shedding competitors in Indonesia this was a valid concern.

For Batavia, the ideological call for state exploitation provided a problem: imperialists wanted to control the oil reserves in Sumatra but did not want to open the door for the democratic pressures that come with state exploitation. State exploitation would require a large (and expensive) bureaucracy; infrastructure; refineries; a shipping fleet; and business networks. In order to operate such a venture there would be a need for a state workforce. Perhaps state exploitation of oil in Jambi was not so much impossible as it was undesirable. They would much rather leave the operational side of business to the oil companies. By controlling the issuance of concessions, Batavia could make sure this happened on its own terms. Liberal politicians and Dutch imperialists, as we will see in the next chapter, went to great lengths to avoid state exploitation in Jambi.

Until 1904, however, Parliament in The Hague by and large followed the line set out by Batavia when it came to Jambi.[78] In 1903 there were 1660 applications submitted for the Jambi concessions. A newspaper report humorously describes the frantic scene at the concession office in Palembang: "the resident [of Palembang] arrives and he opens the sanctuary doors. What follows is pushing and shoving like on a fairground; everyone wants to get inside first. One concession hunter deposits his half-meter-thick portfolio on the table".[79] The result of this procedure was, unsurprisingly, chaotic. The maps of the Jambi region turned

[77] Wellenstein 131-133.
[78] Locher-Scholten, 230.
[79] "Concessie-Jagers in Palembang", *Het Nieuws van de Dag voor Nederlands-Indië*, 16-01-1903.

out to be incorrect and the concession borders had to be redrawn. Furthermore, van Heutsz wanted to balance the cost of the military campaigns he was running at the time, which meant maximising the Jambian profits, and Royal Dutch seemed a perfect fit considering its existing business networks and infrastructure. Moreover, the board of Royal Dutch claimed that Standard Oil had sent stooges among the oil prospectors, which was most likely an attempt to increase its chances in obtaining the Jambi concessions. [80] For van Heutsz, this unproven fear of foreign intervention gave him the perfect excuse to close the oil field in 1904 in order to start state exploration under supervision of Tobler so that Batavia could maximise profits and continue its imperial campaigns in Indonesia. It is unlikely a coincidence that Royal Dutch did not need to compete in the sale of public concessions. Ultimately, closing the Jambian oil fields in 1904 opened the door for Royal Dutch. The state exploitation debate started by parliament, however, caused Jambian oil to remain under ground until 1923.

Conclusion

A short answer to why van Heutsz closed the Jambian oil fields is that Batavia wanted to maximise its profits and protect Dutch interests in Sumatra. The explanation in this chapter, however, leads to a more intricate understanding of motives. The closure of Jambi for oil prospectors demonstrates the friction between multiple stakeholders in the region. First, the local administrators wanted to see their residency economically developed by attracting oil prospectors. Second, Jambian oil attracted a lot of attention from the oil industry, notably Royal Dutch. Third, the Dutch imperialists in Batavia, who were running a campaign to achieve uniformization of direct rule in Indonesia, were overspending on military campaigns. For Batavia, barring oil prospectors from Jambi gave the opportunity to exert control over oil companies; evade democratic pressures; and increase revenues to keep imperial ambitions alive. Finally, parliament in the Hague attempted to harness Jambian oil to control Batavia's expensive imperial campaigns by pressing for state exploitation, which undermined Batavia's vision for Jambian oil.

Initially, Batavia's and Royal Dutch's interests came out on top; amendments to the Dutch mining legislation in 1899 used foreign scares over Sumatran oil as a vehicle to achieve imperial authority that allowed Batavia to shut regions from oil prospectors. In turn, this allowed Royal Dutch to shed foreign and domestic competitors over the Jambi concessions. Parliament's state exploitation debate, however, sabotaged the plan. Batavia and Royal Dutch

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[80] Locher-Scholten, 230-238.

would argue that the best way to increase revenues for the Dutch East Indies was by handing out concessions to the most competent bidder (Royal Dutch). Batavia aimed to achieve this by controlling the production of geologic knowledge. August Tobler's reports gave Batavia leverage to increase corporate interest in Jambi and influence the debate in parliament. Essentially, Batavia was sponsoring Royal Dutch's monopoly in return for easy rents.

Basically, the suspension of access to Jambian oil was an attempt by Batavia to demand the terms of the Jambian oil industry. Royal Dutch was, nonetheless, aware that the Batavia also needed a corporate partner to avoid the scenario of state exploitation. Democratic pressures, however, still needed to be dealt with. At this point Batavia and Royal Dutch complemented each other's needs. Chapter II examines how Batavia and Royal Dutch tried to evade parliament's scenario of state exploitation. While initially the Dutch state and Royal Dutch kept each other in check, after 1904 power asymmetries between the two became much more obvious.

Chapter II: State Exploitation and Democratic Pressures

Since it is likely that the Dutch East Indies still contains significant quantities of petroleum in its unexplored territories, and since the Treasury has a great interest in the development and prosperity of the petroleum industry in the Dutch East Indies, we believe we must recommend the government that it should pay serious attention to ensure that the development of the petroleum industry of the Netherlands should not be obstructed, and that new oil fields should not fall into the wrong hands.[81]

In 1919, Governor General of Batavia, Johan Paul van Limburg Stirum, received a memorandum from Henri Deterding (director of Royal Dutch). The memo concerned Royal Dutch's competition from Standard Oil in Indonesia during the 1910s. Deterding's arguments are a continuation of Royal Dutch's political operations as we have seen in chapter I. First, protection of Royal Dutch meant safeguarding revenue for Batavia. Second, granting rights to Royal Dutch to exploit new oil fields in Sumatra (Jambi) ensures these do not fall into "the wrong hands" (Standard Oil). Deterding goes on: "the government can be assured that Royal Dutch, as it has always been, and still is, remains purely a national enterprise".[82] Indeed, the board of Royal Dutch had positioned the company as an object of national pride; the company had earned itself a bad reputation in the Netherlands and public relations needed to address this. Moreover, Batavia and Royal Dutch needed to devise a new construction to quench parliament's thirst for state-exploitation. Consequently, talks started about the prospect of the joint venture. This chapter analyses how the government and Royal Dutch navigated around parliament's democratic pressures after the closure of the Jambian oil field in 1904 until the NIAM legislation was passed in 1921; what strategies did they employ to undercut parliament's wish for state exploitation?

A Monopoly in the East Indies

After 1904, Royal Dutch underwent some notable changes. When Henri Deterding took over from August Kessler as director in 1900, Royal Dutch expanded its global ambitions. In Sumatra, Deterding oversaw the steady acquisition of competing companies such as Muara Enim, Moesi Ilir and Zuid-Perlak. This meant that in 1907 three main rivals continued to operate in Indonesia: Royal Dutch, Dordtsche and the "Shell" Transport and Trading Company (which, as the name suggests, operated a large fleet of oil tankers but also held oil concessions

[81] Henri Deterding Memorandum, 1919(?), nr. 53, 2.21.108 Inventaris van het archief van mr. J.P. van Limburg Stirum [levensjaren 1873-1947], 1911-1934, *NA*.
[82] Henri Deterding Memorandum, *NA*.

in Kalimantan). Again, it was the spectre of Standard Oil that haunted oil companies in Indonesia. In 1901-1902, Standard Oil attempted to acquire Shell for 40 million dollars. Yet again, political implications jeopardised the take-over. Shell's director, Marcus Samuel, ran the company as a family enterprise, which made him incredibly wealthy. Selling Shell would have made him even wealthier, but his reputation would probably be irreversibly damaged – not the kind of risk the soon to be incumbent Lord Mayor of London would want to be suspectable to.[83]

Shell, however, was not in the position to further delay signing another deal, because its concessions in Kalimantan where not producing enough oil. In 1902, Samuel accepted a deal with Royal Dutch, where he would become chairman of the board and Deterding the chief of operations. This alliance was the first step in a much broader and global expansion. Both sides agreed to operate through a joint venture: Asiatic Petroleum Company. Deals where signed with Russian oil syndicates and an East Asia syndicate was formed. This included most East Asian oil companies – Dordtsche was the notable exception. When Standard Oil engaged the East Asia syndicate (and thus Asiatic) in a price war, Royal Dutch and Shell were forced into a more serious merger in order to keep their global ambitions alive. On the 1st of January 1907 the companies had fused but they remained a dual-listed company, meaning that both sides maintained their legal existence in both The Hague and London. Two new companies where formed: the Bataafsche Petroleum Maatschappij (BPM), in charge of exploration and exploitation in Indonesia, and Anglo-Saxon, in charge of storage and transportation. Although Royal Dutch was in a far better position than Shell, Deterding understood that for practical reasons a complete takeover would not be beneficial. Royal Dutch's market was mainly in British territory. Shell, with Samuel's close ties to the heart of the British Empire (as previous Lord Mayor of London), could ensure political influence that a company based in The Hague simply did not have access to.[84] For the sake of clarity, in this thesis the Royal Dutch/Shell group will continue to be referred to as "Royal Dutch" after the merger of 1907.

Evidently, again, access to political influence was one of the building blocks of the modern oil company. Political influence provided the fundament of Deterding's managerial success. In the Dutch colonial archives, BPM shows up recurringly, indicating that there was a close working relationship that was beneficial for both sides – at least for Royal Dutch. BPM managed to drum up Batavia's support when it came to matters concerning domestic

[83] Jonker and van Zanden, 71-72.
[84] Jonker and van Zanden, 84-87.

competition in Indonesia. In 1910, BPM's last remaining rival, Dordtsche, had suffered greatly from Standard Oil's price wars. Dordtsche entered secret negotiations with Standard Oil, which was alarming for BPM, because a take-over would give Standard Oil a strong operational base in Indonesia – its own back yard. Ultimately, however, Royal Dutch took control over Dordtsche through an exchange in shares in 1911.[85] It remains unclear what compelled Dordtsche to change its negotiation partner. Nevertheless, it is safe to assume that the board of directors was aware that selling concessions to Standard would result in a public backlash. It has been suggested that Dordtsche was "disciplined" into negotiations by Dutch nationalism, but the more likely explanation is that Dordtsche knew that Royal Dutch and Batavia would find a way to bring a halt to negotiations with Standard Oil regardless of any potential deal between the two.[86] A newspaper in the Dutch East Indies summarises the relevance of Royal Dutch's new acquisition: "by the proposed merger, the petroleum industry in our East will be virtually united in one hand. The importance of this [merger], also in relation to the dominant position of Standard Oil, can hardly be overestimated".[87]

For the Jambian oil concessions this meant that there was only one *de facto* candidate left for corporate exploitation: BPM. As we have seen in chapter I, Batavia was sponsoring Royal Dutch's monopoly. By 1911, the last real competitor was acquired, and the monopoly was practically secured. This monopoly, however, remained fragile. First, Standard Oil did not refrain from eyeing Indonesian concessions. Second, parliament was pushing for state exploitation of Jambian oil, which would mean the emergence of a potentially powerful rival: a state-owned oil company.

Parliament's call for state control of the Jambian oil fields demonstrates attempts to increase Dutch sovereignty in the colonies; the sense of "taking back control" was not aimed at the tactical flow of oil, rather at reigning in the (political) power of Royal Dutch. For globally operating oil companies such as Royal Dutch, this drive for national sovereignty over resources was perceived as "obstructive". Indeed, initial lobbying by BPM clearly expresses its opinion on the matter: the state should provide ample opportunities for private exploitation. As result of the state exploitation debate, Royal Dutch needed to rethink its business strategy in Indonesia. Deterding's memo shows an attempt to turn BPM into more than an oil company.

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85 Gerretson, 84.
86 Melle van Maanen, "Global Capitalism, Dutch Imperial Oil. The Dordtsche Petroleum Maatschappij and the national prestige of developing a Netherlands-Indies oil industry, 1877-1911", (2020), 15-16. https://www.academia.edu/45484457/Global_Capitalism_Dutch_Imperial_Oil_The_Dordtsche_Petroleum_Maatschappij_and_the_national_prestige_of_developing_a_Netherlands_Indies_oil_industry_1877_1911_. Last accessed, 9 August 2022.
87 *De Preanger-Bode*, 11-07-1911.

Namely, a company operating under the banner of national pride. A "national" (but actually private) oil company that can provide insurances to repel foreign influence – as long as they are given full control of the available oil concessions. Deterding was playing into the nationalist sentiment of state exploitation. During the 1910s, Royal Dutch made a "chauvinist turn", which I argue thenceforward defined its operation in the Netherlands.

An Unlikely Coalition

After van Heutsz closed the Jambian oil fields in 1904, Batavia waited for Tobler to finish his exploratory studies in Sumatra. It was not until 1910, after Tobler had published a few positive reports on Jambi's mineral riches, that parliament in the Hague passed new mining legislation that complicated matters for both Batavia and BPM. In a parliamentary report concerning budgeting over the year 1905, Jambian oil was specifically mentioned. The ongoing wars in the Dutch East Indies were weighing heavy on the treasury. In an attempt to bring in more cash, the report advised that one must be aware that there will be an attempt by parliament to "increase revenue for the state from mining".[88] The report's argument for this explicitly mentions the petroleum deposits in Jambi; concessions should be granted "under conditions that guarantee great benefits to the state".[89] In 1910, new mining legislation was passed through both chambers of parliament in The Hague, which seemed to be a direct reaction on the closure of the Jambian oil fields. Changes included increased nationality requirements to obtain concessions within the Netherlands and its colonies – presumably to keep Standard Oil out of Indonesia. More importantly, the new legislation mandated that when a region has proven mineral deposits, parliament must approve the terms of new concessions.[90] In essence, this meant that if a majority of parliament would be in favour of creating a national oil company (NOC) to exploit oil in Jambi, it now had legal options to do so. Reversely, BPM could no longer rely on Batavia as its guardian in Indonesia. If Royal Dutch was to fall out of favour in Dutch public opinion, obtaining approval from parliament for concessions could be a considerable obstacle. In the socialist movement's eyes, BPM, as part of a sprawling capitalist oil company, was reflected poorly on.

In 1915, there was a first legal attempt to draft a bill that would lead to exploitation of Jambian oil. The proposed legislation was heavily debated in parliament. New mechanised

[88] Referenced after E.P. Wellenstein, *Het Indisch Mijnbouwvraagstuk*, (Den Haag: Martinus Nijhoff, 1918), 122.
[89] Wellenstein 122.
[90] Wellenstein, 124.

military technology that was being deployed on the battlefields of WWI increased nations' appetite for oil. There were fears that, should the Netherlands enter the conflict, oil companies in Indonesia would not guarantee oil supplies. The records of these parliamentary sittings provide some insights regarding the motives of different parliamentary factions. The proposed legislation would divide the Jambian oil territories into two fields: Jambi I and Jambi II. In order to avoid the appearance of favouring BPM, the legislation postulated that the Zuid-Perlak Petroleum Company and BPM respectively would both share the concessions Jambi I and II. Most likely, however, dividing Jambi into two territories among BPM and Zuid-Perlak was a farce in order to pass the legislation through parliament. Zuid-Perlak was not yet legally acquired by Royal Dutch, but its business arrangements speak volumes. All oil produced by Zuid-Perlak's concessions was immediately sold to BPM for a fixed (low) price. Zuid-Perlak's existence, thus, was entirely on BPM's terms. In 1914, Zuid-Perlak could no longer make any further profits with the existing deal, and thereafter BPM agreed to operate its concessions.[91] The brothers Deen, in charge of Zuid-Perlak, probably made a lot of money out of this arrangement. The brothers had not lost their knack for speculating on oil concessions. This largely explains their involvement in parliament's 1915 Jambi arrangement. In general, Royal Dutch could be satisfied with sharing the Jambi concession with Zuid-Perlak, considering their current arrangements.

Apart from dividing the Jambian oil fields, the proposed concession gave high royalties to the Dutch treasury and would remain valid for the next 25 years. On the flip side, Royal Dutch would retain the right to sell and distribute its product as it pleased without state intervention.[92] In other words, the proposed legislation was purely fiscal; the Jambi concessions would achieve little result in controlling the flow of oil, containing the influence of Royal Dutch, or bring down energy prices for the general public – not exactly the war-time legislation some members of parliament were hoping for. In sum, the proposal was a continuation of the *laissez-faire* mining legislation from the 19th century. The explanatory memorandum of the proposed legislation was held relatively sober. State exploitation was not mentioned directly. Indirectly, however, the argument for private exploitation was to "avoid major difficulties of exploiting petroleum through a state-owned company".[93] It was perhaps unsurprising, then,

[91] J. Kreemer, *Atjèh: Algemeen Samenvattend Overzicht van Land en Volk van Atjèh en Onderhoorigheden*, (Leiden: BRILL, 1922), 128.
[92] Wellenstein, 130-131.
[93] "Overeenkomst met de Bataafsche Petroleum Maatschappij betreff. opsporing en ontginning van aardolie in Djambi", vel 24, (1915) *Tweede Kamer*, 91.
https://repository.overheid.nl/frbr/sgd/19151916/0000332932/1/pdf/SGD_19151916_0000177.pdf.

that parliament, which had explicitly expressed its wish for *more* state intervention in Jambi, was not impressed by the proposal. The proposal failed to pass through parliament.

In the records of the parliamentary sittings there are three main reasons to be distinguished why the proposal failed to pass. First, there were large doubts concerning BPM and its monopoly in Indonesia. Second, there were concerns that the Netherlands needed to retain (or obtain) influence in its own petroleum supply. Finally, there were factions heavily in favour of state exploitation. The proponents for state exploitation cared remarkably little about controlling the nation's oil supplies. Rather, there were more important underlying motives such as imposing national sovereignty and reigning in "disloyal" capitalist enterprises.

The opposition against BPM in the 1915 proposal was not aimed at its competence. Rather, Socialists took the opportunity to use BPM as the representation of a capitalist system that undermined class action. For many, this did not mean there was a strong preference for state exploitation, but BPM's involvement was used as a symbol of corruption in the political system. The socialist member of parliament Maup Mendels gave a sweeping overview the petroleum nepotism during a parliamentary sitting, which when read against the grain, provides a good account of Royal Dutch's growing political influence. Particularly, Mendels challenges the large number of politicians in Royal Dutch's supervisory board and ex-employees of Royal Dutch entering politics after their tenure at the company, which including government ministers and Governor-Generals. Especially painful during the parliamentary sitting, Mendels addresses the fact that the minister of colonies, Thomas Pleyte (who drafted the legislation in question), had a cousin who, in fact, was the director of BPM at the time. Mendels concludes: "Apparently it is not considered odd in the Netherlands, this possibility [of wide-spread nepotism] is accepted: it is the mentality of corruption!"[94] Mendels raised a point that is still relevant until this day in the Netherlands. The historical and current list of Dutch politicians with a background at Shell is, indeed, significant. The fact that Mendels raised this point so eloquently in 1915 demonstrates how deep the roots of the oil industry have grown into the fundaments of Dutch political culture.

Mendels' observations of Royal Dutch's tentacles strangling the Dutch political order was a strong plea for state exploitation. His advocacy might have convinced many in parliament, but the conservative member of parliament Frederik van Bylandt only partly shared Mendels' analysis: I [van Bylandt] acknowledge that Royal Dutch has become a state within a

[94] "Overeenkomst met de Bataafsche Petroleum Maatschappij betreff. opsporing en ontginning van aardolie in Djambi", 96-97.

state, it is a powerful entity that exploits oil fields all over the world". He continues that its only real competitor is Standard Oil: "but as chance has it, one of them is Dutch, are we not allowed to be proud of that?"[95] Positively, Royal Dutch's chauvinist turn was starting to bear fruit. This sense of chauvinism, however, did not only influence proponents of the bill. Other members of parliament addressed the British character of the Royal Dutch/Shell group and argued that the company would do little for the Netherlands if it would not provide them profit; it was therefore in the "national interest" of the Netherlands to pursue the creation of a NOC. In a published opinion on the legislation sent to parliament, a chemical company (*Twentsche Chemicaliën Handelsvennootschap*), argued that granting concessions to BPM would be handing out Dutch oil to the British. The same, they argue, goes for Zuid-Perlak, but "along a slightly longer detour".[96]

Summarising, the three reasons that explain why the proposed legislation failed to pass – hesitations regarding BPM, those pushing for state control of oil supplies, and proponents of NOCs – largely overlapped. Not only did the arguments overlap, so did the majority that voted against the legislation. A coalition of Christian democrats, socialists and *laissez-faire* liberals found a common cause in state exploitation. One liberal, Dirk Bos, even paraphrased Adam Smith's *Wealth of Nations* to convince his peers to contain the monopolistic tendencies of Royal Dutch.[97] In other words, parliament had turned into an unlikely coalition against BPM in Jambi. Moreover, a consensus was building to create a NOC for the job. Finally, the motives behind state exploitation demonstrate that not only imperialists in Batavia were in favour of Dutch control in the colonies. Even socialists like Mendels, who criticised Batavia's expensive imperial expansion, proposed drafting a NOC "for the benefit of the natives".[98] How ethical his plea might sound, he remained a proponent of Dutch colonial extraction in Indonesia.

Exceptions to the Rule

On closer examination of the proposed legislation, it becomes evident that the state did not come out on top of the negotiations with BPM. The state would only receive a few fiscal benefits over the petroleum products sold *after* the refining process. The deal that was struck

[95] Overeenkomst met de Bataafsche Petroleum Maatschappij betreff. opsporing en ontginning van aardolie in Djambi", 99.
[96] Twentsche Chemicaliën Handelsvennootschap over de Djambi-concessies, 1915, nr 3536, 2.21.355 Inventaris van het werkarchief van V.E.L. de Stuers [levensjaren: 1843-1916] over de jaren (1790) 1859-1916, *NA*.
[97] Overeenkomst met de Bataafsche Petroleum Maatschappij betreff. opsporing en ontginning van aardolie in Djambi", 102.
[98] Overeenkomst met de Bataafsche Petroleum Maatschappij betreff. opsporing en ontginning van aardolie in Djambi", 99.

stipulated that the state would receive 50 percent of the company balance. The company balance would be determined by the commercial value of the annual oil extraction, minus the operational costs that incurred. BPM, however, would enforce three exceptions on this agreement. First, BPM was not required to share revenue from petroleum products that were made from residues of the refining process.[99] In practice, this meant everything except petrol: paraffin, lubrication etc. Second, costs made for the transport of oil, through pipelines or tankers, was fixed for 25 years at the current state of available technology. Subsequently, if the transportion costs would drastically decline (which they would), the state would still be paying for the high outdated prices. Third, the commercial value of petroleum was determined by the market value of oil in the Dutch East Indies; if oil was sold elsewhere for a higher price, BPM would again be having the last laugh.[100] Essentially, BPM had access to legalised loopholes that other, less fortunate corporations, did not have access to.

The question remains, nevertheless, how did BPM manage to negotiate a deal that gave it full control over distribution, against only relatively minor fiscal commitments to the state? The Hague and Batavia, who opposed NOCs, *did* put effort into maximising profits for the state from the Jambian oil fields; why did BPM get away with the deal? This question is hard to answer empirically, because the internal decision-making progress is shrouded in secrecy. As previously demonstrated, BPM's lines of communication to state officials were short and informal, which meant that little archival evidence of the deal remains. BPM's employees had direct lines of communication with at least the minister of colonies, the minister of foreign affairs, and the Governor General. Furthermore, as other authors have pointed out, oil company officials were thoughtful about the documents that were left behind.

Despite the lack of archival material from BPM, the Mining Department kept records of the drafting process of the legislation. Although the correspondence between the parties involved is not included, the records do provide a timeline and some insight into how the legislation was prepared for parliament to preside over. According to the records, the negotiations started in January 1915. At this point, BPM was not the only candidate for the Jambi concessions Among others, Jan Koster's "Petroleum Company Sirius" had paid the hefty registration deposit of 100,000 guilders. Koster stated that he was "prepared to take exploitation of Jambi head-on".[101] According to Emiel Hakkenes, Koster and Deterding had a long-running

[99] Overeenkomst met de Bataafsche Petroleum Maatschappij betreff. opsporing en ontginning van aardolie in Djambi", 98.
[100] Wellenstein, 134-135.
[101] Records of the Dutch Mining Department, 1908, nr. 626, 2.10.36.11, Inventaris van het archief van het Ministerie van Koloniën: Toegangen Openbaar Verbaal, (1900) 1901-1953 (1962), *NA*.

feud over petroleum concessions that started over Jambi in 1915. Hakkenes shows how Koster nurtured a suspicion that BPM was secretly making informal agreements with ministers over petroleum explorations and concessions.[102] The records show that a few weeks later, Pleyte (minister of colonies), declared that BPM and Zuid-Perlak made a provisional agreement to share the Jambi concessions (Jambi I and II). The same week, telegrams were sent to all other applicants with the message that their application was denied. Within a month, Koster received his deposit back.[103]

The deal was brokered between the ministry of colonies (under direction of Thomas Pleyte) and two high-ranking employees of BPM: Hendrikus Colijn (former minister of war, future prime minister, and incumbent senator in parliament) and Cornelis Pleyte (Thomas Pleyte's cousin). In 1914, Colijn signed a lucrative 10-year contract with BPM. Deterding personally knew Colijn through a colonial investment company. Royal Dutch's management was becoming obsessed with the Jambi concessions, which by then had not made any progress. Deterding specifically hired Colijn, with his ministerial connections, to obtain the Jambi concessions for BPM.[104] Koster's suspicion that BPM brokered "secret" deals with the ministry was most likely spot on. Not only BPM's political connections, however, were responsible for their strong negotiation position. Minister Pleyte's plea for the legislation in parliament gives more insight. He argued that Royal Dutch owns all the refineries in Indonesia:

> *The refineries in the Indies that could purchase the crude product [from the state] can be found in Sumatra, Java and Borneo. Pangkalan Bradan, on the east coast of Sumatra, belongs to Royal Dutch. Pladjoe and Bagoes Koening, on South Sumatra, belong to Royal Dutch. Tjepoe, Wonokromo, in Central and East Java, which used to belong to the Dordtsche, are now also property of Royal Dutch. Likewise, Balik Papan in Borneo.*[105]

The reason that BPM could enforce terms on Dutch state officials is twofold. First, BPM had carefully constructed political relations where the lines between public and private became increasingly blurry. At its genesis, Royal Dutch understood the need for political connections to operate a successful oil company. Batavia was initially happy to cater to this because rents flowed in that enabled the continuation of imperial campaigns at a time when the treasury was

[102] Emiel Hakkenes, *Gas: Het Verhaal van een Nederlandse Bodemschat*, (Thomas Rap: Amsterdam, 2020), 17.
[103] Records of the Dutch Mining Department, 1908, nr. 626, 2.10.36.11, Inventaris van het archief van het Ministerie van Koloniën: Toegangen Openbaar Verbaal, (1900) 1901-1953 (1962), *NA*.
[104] Jonker and van Zanden, 156-157.
[105] "Overeenkomst met de Bataafsche Petroleum Maatschappij betreff. opsporing en ontginning van aardolie in Djambi", 1915, vel 24, *Tweede Kamer*, 109.

almost depleted. The consequence of Royal Dutch's state sponsored monopoly plays directly into the hand of the second reason. Namely, in order to exploit the Jambian oil fields, there was no one else to turn to. As Pleyte pointed out, all the infrastructure in Indonesia was owned by Royal Dutch, which probably allowed BPM to dictate many of its own terms in the agreement.

During the following months, the legislation was drafted as it would be presented to parliament. The records show that BPM was involved in this process. On multiple occasions, the company advised the council of state (the government's primary advisory body) on the practical feasibility of the legislation. The case started making progress in the summer of 1915, when the legislation was sent to senior officials in the ministries. After a few adjustments, the Jambi laws were sent to the speaker of parliament in October.[106] In November, parliament achieved its surprising victory against the government and BPM. Moreover, not only was the proposal defeated, but a motion was also accepted that called for the state to obtain exclusive rights to the resources of the Jambi fields. In other words, parliament forced Batavia to explore state exploration. As an article in *Holland and her Colonies* puts it: "It was upon this rock that Minister Pleyte's ship split".[107]

Royal Dutch's Chauvinist Turn

Despite the motion of parliament to push for state-exploitation, The Hague still felt little for creating a NOC. This meant that The Hague needed to sit around the negotiating table with BPM again to find a solution. As with the negotiations leading up the Jambi proposal of 1915, the empirical complications of these negotiations are no different. Both sides agreed on a "hybrid" NOC. This joint-stock company, owned by the Dutch state and BPM, would be called the Jambian Oil Company. In 1917, the government attempted to pass this proposal through parliament. In the explanatory memorandum of the bill, some requirements of the new semi-NOC were stated. First, "the national character of the company will continue to be guaranteed". Second, to "obtain a degree of co-determination in management that is proportionate to the stake of the state. Third, "the state will enjoy a considerable portion of the profits".[108] Contrary to reality, it might seem as if the state enjoyed better terms than in the previous agreement. However, BPM was left in charge of the entire operation. It would extract the oil, refine the oil, and distribute the petroleum products to the market. The sole difference now was that the

[106] Records of the Dutch Mining Department, 1908, nr. 626, 2.10.36.11, Inventaris van het archief van het Ministerie van Koloniën: Toegangen Openbaar Verbaal, (1900) 1901-1953 (1962), *NA*.
[107] Jambi Concession in *Holland and her Colonies*, 1921, nr. 1793, 2.05.37, Inventaris van het archief van de Directie Economische Zaken van het Ministerie van Buitenlandse Zaken, 1919- 1940, *Nationaal Archief (NA)*.
[108] Wellenstein, 138.

state was accountable for BPM's risks. Essentially, the Jambian Oil Company would do little to reign in the monopoly of Royal Dutch, as was the wish of parliament. Conversely, the state even provided BPM with capital (as shareholder). For BPM, it seems that parliament's wish for state exploitation was a blessing in disguise. Nevertheless, it did not lead to the proposal being passed through parliament, as it was rejected in 1917.

Two notable observations need to be made regarding the latest failure to exploit the Jambian oil fields in 1917. First, Royal Dutch had a serious problem with its public image back in the Netherlands. It had grown so large over the course of the 1910s, that the public was growing distrustful of its intentions. Second, Jambi was becoming a high-profile case that was causing Batavia and The Hague considerable embarrassment (future minister colonies Simon de Graaff earned the nickname "Simon the liar" over the Jambi controversy).[109] In order to avoid any further humiliation, the government needed to make a compromise with the opposition.

This compromise was finally made in 1921, when parliament finally (narrowly) agreed to a public-private partnership between Batavia and BPM: Dutch East Indies Oil Company (NIAM). With this third attempt to pass legislation through parliament, the government was authorised to "create a community of interests between the Dutch East Indies and BPM for the workings of the oil fields in Jambi".[110] In practice, both parties would obtain 50 percent of the shares, but the state had the upper hand in votes on the board of directors. As such, the state could approve and influence important decisions. In other words, the state obtained not only fiscal benefits, but also managerial benefits as well. This did not mean, however, that the state got any practical benefits in comparison to the 1917 agreement. BPM would still oversee the extraction, refining and selling of petroleum. In my reading, it was a very limp effort to assert any kind of meaningful regulation over Royal Dutch; not much more than an effort to stop the Jambi-affair from dragging on *even* longer. Urgency was required because in 1920 the US had made its disappointment about the exclusion of foreign capital in Jambi known to The Hague via diplomatic channels.

To polish up its public image in the Netherlands, Royal Dutch had already made a "chauvinist turn" during WWI. It presented itself as Dutch company acting on Dutch national interests (although neither were true); a source of national pride. An example of Royal Dutch's

[109] "S. (Simon) de Graaff", *Parlement*, https://www.parlement.com/id/vg09llj9fau3/s_simon_de_graaff. Last accessed, 13 December 2022

[110] Jambi Concession in *Holland and her Colonies*, 1921, nr. 1793, 2.05.37, Inventaris van het archief van de Directie Economische Zaken van het Ministerie van Buitenlandse Zaken, 1919- 1940, *Nationaal Archief (NA)*.

public image building is the screenings of a silent film by BPM called *Petroleum Industrie*. The *Nationaal Archief* in The Hague holds documents about a film screening in the *Concertgebouw*; Amsterdam's most prestigious concert hall. This screening was a charm offensive aimed at the Dutch elite. Jan Willem Ijzerman, who became an influential figure at Royal Dutch after the take-over of Muara Enim, personally oversaw the event. The guest list was impressive: the entirety of the provincial executives was invited – including all the queen's commissioners. Also, prominent politicians in parliament were invited, as well as some business leaders.[111] BPM hired Willy Mullens, a film director, to shoot footage of its Indonesian oil exploitations. The première of the film was attended by 1600 invitees from diplomatic and political circles.[112] One film critic shows how effective this new cinematic media would prove for the public engagement of Royal Dutch:

> *[the film] teaches us that the petroleum industry is not just a money-making enterprise for shareholders; it does not merely extract oil from the ground and leave the land as it is, but that where it goes, it creates a prosperous colony, spreading its beneficent influence far and wide. No doubt many eyes will be opened, and it is good that the Royal Dutch (Petroleum Company) commissioned this honest film to showcase its activities, since it has nothing to hide.*[113]

In reality, Royal Dutch had a lot to hide, including its tax avoidance practices of Indonesian profits.[114] Regardless, the film was a huge public relations success and played in cinemas all over the Netherlands. The film, as restored by *Eye Filmmuseum*, does indeed play on Dutch sentiments at the time. It shows how BPM was built villages, schools, hospitals, churches in benefit of the Indonesian population.[115] "Ethical politics" towards the Indonesian population was an important part of legitimising Dutch imperialism in the Netherlands during this period. Moreover, the film depicts BPM as a benevolent ruler; not just taking, but above all giving back to the land and its inhabitants. Royal Dutch had the power to bring enlightenment through education, longevity through public health, domesticity through religion and housing, and above all: technological progress through fuel and energy. The Dutch crown, referring to Royal Dutch's royal pedigree, features heavily throughout, thus highlighting the national character of

[111] Gastenlijst filmvertoning "Petroleumindustrie", 1924, nr. 3876, 2.05.343, Inventaris van het archief van de Regeringsvertegenwoordiger in het Dagelijks Bestuur van het Koninklijk Instituut voor de Tropen (KIT), (1952) 1955-1962 (2001), *NA*.
[112] Bert Hogenkamp, *De Nederlandse Documentaire Film 1920-1940,* (Hilversum: Nederlands Instituut voor Beeld en Geluid, 2016), 20-23.
[113] "Willy Mullens' Petroleum-Film te 's-Gravenhage vertoond", *Kunst en Amusement*, vol. 26 (1924), 308.
[114] Jonker and van Zanden, 268-269.
[115] "Petroleum-Film", *Eye Filmuseum*, https://www.youtube.com/watch?v=ZvSYtqinBNE. Last accessed 25 August 2022.

BPM. Royal Dutch presented itself as a sovereign ruler in the remote frontiers of Sumatra; a force to be reckoned with. It legitimised its sovereign exceptionality through its benevolence: the corporate gift to the colonies. Essentially, the strong sense of chauvinism within parliamentary ranks and beyond was cleverly exploited by Royal Dutch's "chauvinist turn".

The Sovereign Oil Company

In this chapter, I have looked at the interaction between The Hague, Royal Dutch and parliament. In the wake of the state exploitation debate, the state needed to decide on a fundamental question: did it want to be an organiser or a participant regarding the Jambian oil fields?[116] For The Hague and Batavia it was clear; they wanted to be the organiser, reap the fiscal benefits, and leave exploitation to BPM. Sponsoring Royal Dutch's monopoly in Indonesia, however, was the state's own downfall. Parliament had grown suspicious of Batavia's imperial intentions and of Royal Dutch's sprawling enterprise. As such, Jambian oil provided parliament with a reason and a cause to attempt a crack-down on BPM. This crack-down, in the end, had only partial success; BPM had discovered that its involvement in a joint venture with the state brought mainly positives. Reluctantly, parliament agreed on the joint venture compromise in the form of NIAM in 1921. In other words, the state was an unwilling participant in exploiting the Jambian oil fields; an attitude that favoured BPM's position in the venture.

Some conclusions can be drawn from the state exploitation debate during the 1910s, particularly when analysing the reasons BPM continuedly ended up on the winning end in negotiations with the state. BPM's behaviour during this debate demonstrates three lessons on how to run a successful oil company. First and foremost: an oil company's leverage is in politics as much as it is in oil. Right at the company's inception, there was political lobbying involved. This lobby became practically institutionalised in the Dutch political system; BPM's political presence allowed Royal Dutch to endow itself with certain exceptions, which led to a state-sponsored monopoly. Second, control every link in the business chain. If Royal Dutch only exploited the oil wells, the state could easily make agreements with third parties when drafting a NOC. Royal Dutch, however controlled the whole chain, from exploitation to distribution. This left government reliant on a single corporate partner. Third, public relations are also important. An important reason why it took government and BPM three attempts to

[116] Peter de Ruiter, *Het Mijnwezen in Nederlands Oost-Indië 1850-1950*, (Enschede: Ipskamp, 2016), 172. Dissertation at Utrecht University.

access the Jambian oil fields was the unpopularity of Royal Dutch. A coalition from socialists to liberals objected to Royal Dutch's monopolistic and sovereign tendencies. By selling itself as an essential object of national pride, Royal Dutch legitimised its operations to all levels of public life.

Another observation in this chapter concerns the nature of NOCs. As David Victor theorises, most NOCs are hybrid, and most hybrid NOCs act independently on their own interests, which do not necessarily line-up with the interests of the host-nation. Subsequently, these NOCs act as a state within state, and thus complicate a nation's execution of sovereign power. Looking at NIAM, this is undeniably the case. Although NIAM is not a sprawling enterprise, rather a subsidiary, it still complicates Dutch sovereignty. Suddenly, Royal Dutch's actions, in context of NIAM, are also the nation's actions.

Concluding, this chapter raises some important points relating to sovereignty. Repeatedly, Royal Dutch could enforce its own exceptions and legitimised its own sovereign powers through its supposed chauvinism and benevolence. In other words, Royal Dutch was acting as a "corporate sovereign". Furthermore, why the state allowed Royal Dutch to retain its exceptional position shows an underlying motivation harboured by Dutch imperialists: corporate colonial rule in its "resource colony". According to Joshua Barkan's theoretical framework, this can explain why parliament was unable to regulate Royal Dutch. Royal Dutch's unchecked power did not stem from regulatory failures, rather from its political inception; particularly how regulation can legally suspend itself. One might call this political culture "petropolitics". The passing of the NIAM legislation did not immediately lead to oil extraction in Jambi. In 1920, the US approached the Dutch government via diplomatic channels to voice its objections against the exclusion of foreign capital (Standard Oil) in Jambi. The US argued correctly that Royal Dutch was being unfairly favoured.[117] The diplomatic conflict with the US uncovers more stringent power asymmetries between the state and Royal Dutch and set the tone for NIAMs future operations in Jambi.

[117] Locher-Scholten, 280.

Chapter III: US Intervention and Power Asymmetries

The Hague gave a sigh of relief when parliament passed to its proposal to exploit the Jambian oil fields by means of a hybrid NOC in 1921. Although this third attempt to embed oil exploitation in Jambi in a legal framework was a lacklustre one at best – the state only secured minor benefits in comparison to previous attempts – it did avoid a further loss of face. The Jambi affair had been dragging on since van Heutsz used his legally mandated power to shut the Jambian oil fields to allow for state exploration in 1904. The ensuing embarrassment, however, was partly of Batavia's own making. In its strategy of "hyping up" Jambi's oil deposits, the Department of the Mines attracted thousands of applications for oil concessions. This interest, in turn, was increasingly covered by print media. Not only did government officials now have to deal with parliament's interference, but their actions were also being followed in the public eye. Building up to the third attempt to exploit the Jambian oil fields, the government could not afford another failure. Left-wing press heavily criticised Hendrikus Colijn's role in the whole affair (as BPM executive and current leader of the ARP, a ruling Christian political party). One newspaper called his involvement in the Jambi affair "an oil stain" on the Dutch government.[118]

The government, however, was burdened with guarding a potentially explosive secret. Archival records of the Dutch Foreign Office indicate that the government knew that the US was preparing for a diplomatic row over Jambian oil *before* parliament discussed the NIAM legislation. In other words, parliament passed the legislation without being informed (as was its legal right to be) that doing so would lead to a diplomatic conflict with the US. Royal Dutch and The Hague were involved in a race against the clock to exploit Jambian oil before it was publicly known that the US would object. Practically, then, Royal Dutch and The Hague wanted to avoid a parliamentary defeat by all means. If news got out about US involvement, then the Jambi affair could potentially drag on for far longer, and neither Royal Dutch nor the state wanted to share oil with the Americans. This chapter focusses on the US' involvement in the Jambi affair between 1920-1923; how did the Dutch government and Royal Dutch navigate through the prospect of US involvement in the Jambi concessions?

This question is interesting when considering the nature of the archival records of the Dutch Foreign Office that are held by the *Nationaal Archief* in The Hague and historical correspondence of the US State Department in the *Foreign Relations of the United States* online

[118] "Het Djambi-Schandaal", *Het Volk: Dagblad voor de Arbeiderspartij*, 01-08-1921.

archives. As I have previously discussed, the state and oil companies were very careful about documents they left behind. Agreements were often secured by a handshake rather than with a contract; strategic discussions happened in rooms without the presence of a clerk to take notes; and correspondence between the protagonists is nowhere to be found (or access is highly restricted). Apparently, however, this did not apply to the Foreign Office regarding the Jambi affair. Records in the *Nationaal Archief* contains a lot of correspondence from BPM, Standard Oil, and the ministry of colonies. Apart from answering the question how Royal Dutch and the state cooperated against the US, the source material also adds weight to my previous analysis of the operational success of Royal Dutch: personal political connections, lobbying and being too big to fail.

Motorisation of the American People and "Peak Oil"

The official reasoning behind the US' involvement in Dutch petropolitics in 1920 was twofold. First, following WWI, the use of petroleum products increased dramatically, especially in the US. Long distances and the reliance on labour-saving machines in industry and agriculture all required machinery wholly dependent on oil. Second, geologists and industrialists alike shared the belief that US oil reserves were running out. The US' post-WWI petroleum transformation is typified by an anecdote about the "Immortal Forty-Niners". In 1919, the US army, presumably bored by peace, organised a "coast-to-coast" convoy in order to demonstrate the possibilities of the combustion engine and the need for a connected road system. One of the participants was the future US president Dwight Eisenhower, who later recalled that the expedition made a big impression on him. It took the caravan two months to drive from the White House in Washington DC to San Francisco. The expedition later inspired Eisenhower, as US president, to construct a vast inter-connected network of motorways in the US. In 1919, Daniel Yergin sums up the relevance as follows: "… in 1919, Eisenhower's snail-paced mission 'Through Darkest America' signified the dawn of a new era – the motorisation of the American people."[119]

This "motorisation of the American people" is closely intertwined with the second reason for the US to get involved in over-seas oil fields like in Jambi. From around 1908, there were scares that the US was living through times of so-called "peak oil". President Theodor Roosevelt held the (imaginary) belief that the US oil fields would quickly be depleted. To add

[119] Daniel Yergin, *The Prize: The Epic Quest for Oil, Money and Power*, (New York: Simon & Schuster, 1991), 208.

scientific weight to his beliefs, Roosevelt ordered a large geologic survey of the North American lands. This culminated in a huge three-volume report by the United States Geologic Survey, which wrongly argued that there were no "unfound" oil fields in the US and domestic production of oil would likely cease in the 1930s. The mistaken belief that the oil fields were on the brink of running dry, in a time that the US was rapidly getting addicted to petroleum, caused a sleeping giant to wake. The US, known for its hitherto isolationist politics, got involved with "aggressive policies rationalised by oil-scarcity ideology."[120] As Timothy Mitchel puts it, "… politicians saw the control of oil overseas as a means of weakening [isolationist] democratic forces at home."[121]

The Royal Dutch/Shell group had previously encountered these aggressive US petropolitics before the diplomatic row that started in 1920. These experiences played an important role on the backdrop of the Jambian affair with US and are, therefore, important to underline. After Royal Dutch and Shell merged in 1907, the group quickly expanded its operation into the Americas.[122] When Standard Oil was split up into different companies following a court ruling in the US in 1911, Royal Dutch acted on this window of opportunity to quickly acquire shares in the US market.[123] Standard Oil of New Jersey (the main successor of the original Standard Oil), however, continued operating closely with its sister companies, and retaliated to Royal Dutch's expansion by continuing a price war; attempting to buy out Royal Dutch's Indonesian rivals; and founding the Nederlandsche Koloniale Petroleum Maatschappij (NKPM) in the Dutch East Indies.[124] The NKPM was brought into existence to apply for the Jambian oil concessions. As described, Royal Dutch responded with its political lobby apparatus in Dutch politics to keep foreign influence out of the colonies, which later saw success in what I named Royal Dutch's "chauvinist turn".

Royal Dutch's conflicts with the US, however, were not limited to Jambi. Roger Stern writes how the US navy started acted more aggressively against foreign actors in its thirst for oil during the 1910s. After the Mexican oil fields were being plagued by banditry, President Woodrow Wilson sent a flotilla to take control of the oil-rich region of Veracruz in 1914.[125] This oil-raid was the first of many, and Royal Dutch's facilities would quickly be attacked by the US. In September 1920, US marines raided Royal Dutch's refineries in Martinez

[120] Roger Stern, "Peak Oil, Progressivism, and Josephus Daniels, 1913-21", *Naval War College Review*, vol. 73, nr. 4, (2020), 160.
[121] Mitchel, 9.
[122] Yergin, 128.
[123] Jonker & van Zanden, 126.
[124] Jonker & van Zanden, 126.
[125] Stern, 140-141.

(California) and looted 2000 barrels of oil.[126] A Dutch newspaper recognises the raid as a feud between Royal Dutch and the US government, the latter who "forcibly had taken possession of the oil".[127] Importantly, the US' involvement in the Jambian affair did not come about by chance.

Another conflict between Royal Dutch and the US occurred in the Middle East. Wilson's policy of national self-determinism forced Britain and France to legitimise their military occupation of the Arab lands through mandates from the League of Nations. The Middle East was divided in 1920 under the San Remo agreement, and Britain took control of the Iraqi oil fields. The former Ottoman oil companies were divided between the Anglo-Persian Oil Company (a British NOC) and Royal Dutch. The oil agreements between France and Britain, however, did not survive very long. The US wanted in on Iraqi oil, and Standard Oil covertly sabotaged the oil deal by lending support to British rivals (such as the Turkish republic). In 1921, Britain was forced to include the Americans in the San Remo oil deal, which granted American companies access to oil in the Middle East.[128] Over the course of the 1910s, the stage for Royal Dutch and the US had already been set. The attempts by the US to secure Sumatran oil in Jambi was part of a wider aggressive foreign policy that was legitimised by the so-called "peak oil" politics. Moreover, the US' involvement demonstrates the blurred lines between government policies and corporate strategies; for instance, Standard Oil (supposedly) acted covertly on behalf of the US government, just as the Dutch government pulled strings to secure Royal Dutch's monopoly in the colonies.[129]

Reciprocity or Retaliation

Early archival evidence of US state involvement in the Jambian affair can be traced back to August 1919, when the US Department of State sent instructions to the US consul in Batavia. The Department stressed the "vital importance of securing adequate supplies of mineral oil both for present and future needs of the United States".[130] Considering the "peak oil" politics, these instructions should be understood an attempt to get a foot between the door in the heavily monopolised landscape the Indonesian oil fields. J.F. Jewell, the US consul in Batavia, reports back about American opportunities to exploit petroleum in Indonesia. Mostly, Jewell

[126] Stern, 156.
[127] "Shell en de Amerikaanse Regering", *Algemeen Dagblad*, 05-10-1920.
[128] Mitchel, 95-96.
[129] As Mitchel discusses in length, "evidence was hard to pin down", 95.
[130] The Consul at Batavia (Jewell) to the Secretary of State, 1920, 856d.6363/l, Papers Relating to the Foreign Relations of the United States, 1920, Volume III, *Foreign Relations of the United States (FRUS)*, https://history.state.gov/historicaldocuments/frus1920v03/d313. Last Accessed, 8 September 2022.

complains about exclusionist reforms of the mining legislation; the monopoly of Royal Dutch; and the Dutch government's power to reserve valuable oil fields (Jambi). Jewell concludes: "It means that new enterprise is stifled, that foreign, and incidentally American capital, is made to work under most disadvantageous conditions, and […] American vested financial interest and other financial interests which may want to establish themselves in this Colony have nothing to look forward to."[131] Jewell subsequently advises: "In view of the manifest desire of the Dutch East Indies to find a profitable outlet for its produce in the United States since the European War, it is believed that the present moment would be opportune for approaching diplomatically the Netherlands Government …"[132] Ultimately, Jewells advice demarcated a crucial new phase in Jambi's oil history: foreign intervention. The stakes of Jambian oil were considerably raised with the US involvement, because, after years of bickering about a venture to exploit Jambian oil, the Dutch state risked leaving the yield of its prized oil fields to the Americans, which undercut the whole endeavour: financing Dutch imperialism through Royal Dutch's monopoly.

In April 1920, the first US questions about Jambi arrived were received by The Hague through official diplomatic channels. US envoy to the Netherlands, William Phillips, was charged with testing the waters. Phillips contacted Dutch government officials, including minister Karnebeek of foreign affairs, about the "non-reciprocating" attitude of the Netherlands regarding US capital in the Dutch East Indies – specifically, American interest in the Jambi concessions. The response Phillips received contained mainly empty phrases (there is already more foreign capital in the East Indies than Dutch capital) or hollow promises (American companies will receive equal treatment in the Jambi concessions). Considering the legislation to create the NIAM with BPM was currently being drafted, the Dutch response was likely little more than an attempt to buy time before the whole affair would inevitably blow up. In his report back to the US Secretary of State, Phillips reports:

> *It is undoubtedly true that the rights of development under Government control of the Djambi fields and very possibly all mineral concessions in the East Indies have been promised to the Bataafsche Petroleum Maatschappij and I am convinced that I can do nothing further here unless I am in a position to state that retaliatory measures will be employed against the Dutch oil interests in America*.[133]

[131] The Consul at Batavia (Jewell) to the Secretary of State, *FRUS*.
[132] The Consul at Batavia (Jewell) to the Secretary of State, *FRUS*.
[133] The Minister in the Netherlands (Phillips) to the Secretary of State, 1920, 856d.6363/13: Telegram, Papers Relating to the Foreign Relations of the United States, 1920, Volume III, *FRUS*, https://history.state.gov/historicaldocuments/frus1920v03/d326. Last Accessed, 8 September 2022.

For an outsider like Philips the picture of tight-knit public-private relations between BPM and the Dutch government was accurately confirmed. Although Philips could not present evidence, he assumed that all the most valuable oil concessions had been granted to BPM by word of mouth. He continues: "I am of the opinion that van Karnebeek [Dutch minister of foreign affairs] is not in favour of recommending a change in the existing legislation in order that the restrictive provisions shall be removed."[134] Before the US threatened with "retaliatory measure", they first explored a different option.

The Secretary of State in Washington wrote to Philips, his envoy in The Hague, that if Dutch state officials were not willing to grant the US access in Jambi, perhaps negotiations should be carried out directly with BPM. The Secretary of State writes: "it seems that the Government of the Netherlands has pledged itself definitely to the arrangement with the Bataafsche [BPM] leaving private negotiations with the latter as perhaps the only opportunity to bring about American participation at present or at all."[135] This is notable, because it raises the question who has the power to alter legislation or break open prior agreements. In a classic Hobbesian sense, where a sovereign dictates complete rule over its dominium, only the state has the authority to coerce its subjects to obey the laws (of nature).[136] By negotiating with BPM over territorial concessions instead of with the Dutch state, the US seriously complicated this idea of sovereignty. If a deal was struck between the US and BPM concerning oil yields from Jambi, the Dutch state's sovereignty over its own dominium would be compromised and questioned. In diplomacy, it matters with whom you negotiate. Prioritising one party over another legitimises the negotiators. The US, however, was aware of the consequences of negotiating with BPM, especially considering the Wilsonian dogma of self-determinism. The Secretary of State warns his envoy: "the impression should not be created that the Department can accept the privileged situation of the Royal Dutch."[137] In other words, the US continued its negotiations with the Dutch state, but simultaneously opened diplomatic channels with BPM.

The triangular negotiations continued until April 1921, when the NIAM proposal was passed in parliament. In the meantime, the US undertook multiple attempts to amend or retract the proposal. One US-backed amendment of the NIAM proposal, to divide the Jambian

[134] The Minister in the Netherlands (Phillips) to the Secretary of State, 1920, 856d.6363/9, Papers Relating to the Foreign Relations of the United States, 1920, Volume III, *FRUS*, https://history.state.gov/historicaldocuments/frus1920v03/d321. Last accessed, 8 September 2022.
[135] The Acting Secretary of State to the Minister in the Netherlands (Philips), 1920, 856d.6363/16: Telegram, Papers Relating to the Foreign Relations of the United States, 1920, Volume III, *FRUS*, https://history.state.gov/historicaldocuments/frus1920v03/d332, Last accessed, 12 September 2022.
[136] Hobbes, 79.
[137] The Acting Secretary of State to the Minister in the Netherlands (Philips), *FRUS*.

concessions between BPM and Standard Oil, was narrowly defeated in parliament with 43 to 37 votes.[138] On June 30, the Dutch senate passed the NIAM proposal, which subsequently became law. Van Karnebeek described his previous correspondence as an "academic discussion concerning oil legislation in the two countries." He also, however, emphasised that the bill left room for future collaborations with other nations regarding oil rights. Although it might seem that American interests lost out in this affair, US involvement did certainly mark a turning-point in the Dutch attitude regarding foreign involvement in mineral rights. Van Karnebeek helped secure the Jambian concessions for NIAM but emphasised that there *were* equal opportunities in the case. The Jambian affair forced a "reciprocal" stance upon Batavia to accept foreign capital. To prove its commitment in equal opportunities, The Dutch state was obliged to grant at least some Indonesian concessions to Standard Oil, which culminated to a 30 percent market share in 1936-1938 (after WWII this share increased significantly).[139]

Archival Crumb Trails: The Hague and BPM

Documents in the *Nationaal Archief* give a more in-depth perspective on how these triangular negotiations (US, The Hague and BPM) played out. Notably, BPM and the Dutch ministries operated in close harmony, often thanking one another for diplomatic or political favours. Many of BPM's complaints were aimed at the Mineral Leasing Act of 1920. This act had an "alien clause" that struck at the heart of the US' arguments about Jambi: the notion of reciprocity. This alien clause did not obstruct BPM in its operations but its mother corporation, Royal Dutch/Shell group, was specifically targeted. The clause read that if foreign enterprise does not give the same equal treatment to US citizens or companies as in said foreign country (or the foreign country "privileges citizens or corporations"), then this country's citizens or companies shall not be allowed to lease land in the US.[140] In other words, if the Dutch government continued to privilege BPM and deny US citizens equal opportunities, then Royal Dutch would be severely obstructed in operating or acquiring important American oil concessions.

In August 1920, the director of BPM, Cornelis de Jonge (future Governor-General), requested the Dutch Foreign Ministry to convince Washington that the "purposely wrong" opinions regarding the "alien clause" should be "swiftly removed" from the legislation, for this

[138] The Acting Secretary of State to the Minister in the Netherlands (Philips), *FRUS*.
[139] Thomas Lindblad, "The Petroleum Industry in Indonesia before the Second World War", *Bulletin of Indonesian Economic Studies*, Vol.25 No.2 (1989), 56.
[140] BPM to Foreign Affairs, August 1920, nr. 1793, 2.05.37, Inventaris van het archief van de Directie Economische Zaken van het Ministerie van Buitenlandse Zaken, 1919- 1940, *NA*.

is in the “best interest” of the Netherlands.[141] A week later, van Karnebeek received another letter from de Jonge thanking him for his intervention in Washington. The Mineral Leasing Act of 1920 was, in part, a direct reaction to the large market-share that Royal Dutch had obtained in the US over the course of the past two decades. Thus, the US involvement in the Jambi affair was largely a continuation of its aggressive stance against foreign petroleum companies.

This struggle between US oil companies (mainly Standard Oil) and Royal Dutch was, considering their ongoing conflicts, starting to heat up to a boiling point. To illustrate the stakes involved, a Dutch envoy in Washington sent a newspaper clipping of *The New York Times* back to the Ministry of Foreign Affairs in the Netherlands. The huge front-page headline read: “Giant Struggle for the World’s Oil Supply”. The article is an example of US media backing US oil interests during the peak of the “motorisation of the American people”. Henri Deterding (director of Royal Dutch) is described as “Napoleon in conception” and the article states that “it is apparent for the watchers on the watchtower that Royal Dutch Shell is attempting to gain a position of dominance by gaining control of the fuel oil trade by seizure of the sources of supply.”[142] US sentiment was turning increasingly hostile towards Royal Dutch, and in extension, towards Dutch petropolitics too.

This was a big problem for Royal Dutch, because the US was the most important market for petroleum products. Evidently, action had to be taken by BPM to secure Royal Dutch’s access to American oil (markets). A letter from de Jonge to van Karnebeek in November 1920 explicitly demonstrates Royal Dutch’s strategy. De Jonge writes that the NKPM (Standard Oil’s subsidiary) had been granted seven concessions in the Dutch East Indies. The letter continues with a request to the Foreign Ministry to emphasise these concessions via diplomatic channels to US officials: “the granting of the above concessions provides, in our opinion, conclusive evidence” that the US’ calls for reciprocity are “adequately” met.[143] This letter, from the director of BPM, leads to the theory that Royal Dutch willingly advocated to secede its own monopoly in Indonesia by opening the door to Standard Oil.

This theory is further backed by a letter from Avary Andrews, the US representative of Royal Dutch. Andrews writes to de Jonge (director of BPM) that he has received the news that the Dutch Mining Department had granted NKPM with oil concessions in the Dutch East

[141] BPM to Foreign Affairs, August 1920, nr. 1793, 2.05.37, Inventaris van het archief van de Directie Economische Zaken van het Ministerie van Buitenlandse Zaken, 1919- 1940, *NA*.
[142] *The New York Times* clipping, 1920, nr. 1793, 2.05.37, Inventaris van het archief van de Directie Economische Zaken van het Ministerie van Buitenlandse Zaken, 1919- 1940, *NA*.
[143] De Jonge to van Karnebeek, November 1920, nr. 1793, 2.05.37, Inventaris van het archief van de Directie Economische Zaken van het Ministerie van Buitenlandse Zaken, 1919- 1940, *NA*.

Indies. Andrews writes: "please accept again our very sincere thanks and appreciation for the very timely and valuable assistance which you are giving us, in our efforts to secure leases for the Shell Company of California."[144] In other words, it seems like the management of Royal Dutch would rather let Standard Oil operate concessions in Indonesia than lose its US land leases under the "alien clause" of the Mineral Leasing Act. BPM forwarded Andrews' letter to the Foreign Ministry – hence its inclusion in the archive – to pressure the Dutch government into persuading the State Department to retract its accusation that the Netherlands was not a reciprocal nation. Thereafter, BPM continued forwarding Andrews' letters to the Foreign Ministry to instruct the government how to act in the Jambi affair. In one instance, a letter is forwarded where Andrews writes that "sooner or later, or probably in the near future, the entire correspondence between the governments of the United States and the Netherlands upon this subject will probably be made public."[145] As previously discussed, if the diplomatic feud were made public, it would likely jeopardise the NIAM proposal's chances in parliament, therefore the Foreign Ministry obliged to BPM's suggestions and put Dutch envoys to work on a charm offensive in Washington.

Initially, the NKPM's Indonesian concessions seemed to take the wind out of the Secretary of State's sails regarding the Jambi concessions. This changed, however, when parliament, unaware of the extent of US involvement, passed the NIAM proposal in April. The proposal meant that the US achieved nothing from Jambi, which rendered the previous concessions to false tokens of goodwill. Shortly after queen Wilhelmina symbolically signed the NIAM proposal into law, the Foreign Ministry received a barrage of telegrams from Washington protesting the "monopoly of oil resources".[146] More important, the press was informed about the extent of US involvement and both Dutch and American newspapers wrote less than flatteringly about the Dutch government. A Dutch newspaper wrote that the Dutch government was to blame for the impression that the US did not receive a "square deal" due to keeping the whole affair secret from parliament. In fact, the government was responsible for the entire "misunderstanding".[147]

In fact, the Dutch government had let the genie escape from the bottle. Turning the tide of public opinion was a difficult task. To make matters worse, the government had to answer

[144] Andrews to the Jonge November 1920, nr. 1793, 2.05.37, Inventaris van het archief van de Directie Economische Zaken van het Ministerie van Buitenlandse Zaken, 1919- 1940, *NA*.
[145] Andrews to the Jonge, February 1921, nr. 1793, 2.05.37, Inventaris van het archief van de Directie Economische Zaken van het Ministerie van Buitenlandse Zaken, 1919- 1940, *NA*.
[146] Telegram to Foreign Ministry, May 1921, nr. 1793, 2.05.37, Inventaris van het archief van de Directie Economische Zaken van het Ministerie van Buitenlandse Zaken, 1919- 1940, *NA*.
[147] "Amerika en de Djambi-Exploitatie", *Algemeen Dagblad*, 19-05-1921.

parliamentary questions about US involvement in the Jambi affair. These questions included whether it was true that the US had been involved in the Jambian concessions.[148] The government, however, managed to weather the storm; first and foremost, due to its own media offensive in the US, which convincingly argued that the US had overplayed its hand in the whole affair. The Foreign Ministry had instructed the Netherlands Chamber of Commerce in New York to publish an insightful article in *Holland and her Colonies*, which was subsequently picked up by the US newspapers. Americans woke up to headlines such as "US Oil Protest Called too Late. US had Chance, but Neglected it, Assert Dutch" and "Dutch Say there is Oil Enough for us Still, Foreign Office will Welcome American Capital in Other than Djambi Fields".[149] According to Andrews, this media offensive was successful because the American public was very distrustful of Standard Oil in the first place. Second, Andrews points to the fact that he had distributed the *Holland and her Colonies* articles to American media moguls, which had "significantly softened the mood".[150] Indeed, in July, the director of Netherlands Chamber of Commerce in New York wrote: "editorial commentators and leading Washington correspondents are satisfied with the general outcome in so far as it has given the American Government an opportunity to make its viewpoint on reciprocity clear to the world."[151]

Interpretations of the Jambi Conflict

All in all, the diplomatic row over the Jambian concessions fizzled out. Indeed, the US had let the world know very clearly that obstructing the flow of American capital would lead to retaliation. In 1968, American historian Gerald Nash wrote: "Hughes [Secretary of State] suffered an embarrassing diplomatic defeat in this episode."[152] Nash arrives at this judgement because the US failed to obtain a foothold in Jambi. Francesco Doeve concludes about the Jambi conflict that the Dutch Foreign Office, overall, came out on top in the conflict. Although the US did achieve a long-term foothold in Indonesia, van Karnebeek protected Dutch sovereignty from US interference. Moreover, Doeve judges that Royal Dutch was the biggest

[148] Kamervragen, 1921, nr. 1793, 2.05.37, Inventaris van het archief van de Directie Economische Zaken van het Ministerie van Buitenlandse Zaken, 1919- 1940, *NA.*
[149] US Newspaper Clippings, May/June 1921, nr. 1793, 2.05.37, Inventaris van het archief van de Directie Economische Zaken van het Ministerie van Buitenlandse Zaken, 1919- 1940, *NA.*
[150] Memorandum Andrews, 1921, nr. 1793, 2.05.37, Inventaris van het archief van de Directie Economische Zaken van het Ministerie van Buitenlandse Zaken, 1919- 1940, *NA.*
[151] Director of Netherlands Chamber of Commerce in New York, 1921, nr. 1793, 2.05.37, Inventaris van het archief van de Directie Economische Zaken van het Ministerie van Buitenlandse Zaken, 1919- 1940, *NA.*
[152] Gerald Nash, *United States Oil Policy 1890- 1964. Business and Government in Twentieth Century America*, (Pittsburgh: Greenwood Press, 1968), 61.

loser, because the Netherlands were willing to break its monopoly in Indonesia in the long-term.[153] In this chapter, on the contrary, I break with both these views on the Jambi conflict.

Notably, the Jambi conflict was, in fact, not really about Jambi at all. It is imperative to understand that the Jambi conflict was not isolated from the rest of history. There were forces within the US administration that wanted to break with isolationist politics and bring the US to the centre of the global imperial stage. The so-called "peak oil" politics provided American hawks with a possibility to do so. This oil dogma amounted to large-scale foreign interference by the US government. Royal Dutch, due to its sheer size and influence on the petroleum industry, often found itself blocking the path of the US oil fury. These conflicts were fought out on US soil, on Iraqi lands, and in Sumatra. Within this historical context, demanding reciprocity from the Dutch government regarding the Jambi concessions was an attempt to teach Royal Dutch a lesson in compliance. Sharing Indonesian oil was a far lesser evil for Royal Dutch than losing access to the enormous American petroleum market. This is evident from BPM's response to the "alien clause" of the Mineral Leasing Act of 1920. Correspondence shows that BPM, in fact, pushed the Dutch government to comply with the US demands for reciprocity so that Royal Dutch could continue to lease land in the US. Considering the decades-old Dutch stakes in Jambi and parliament's wish for state-exploitation, these concessions were understandably off-limits for the Americans. The rest, however, as history shows, was up for grabs. Considering that Indonesia was becoming increasingly less important for the globally sprawling Royal Dutch, one can hardly imagine that any tears were shed.

In my interpretation, this introduces a wider problem in Dutch historiography of colonial oil. Royal Dutch, until this day, manages to strike a sensitive nerve with its chauvinist narrative. Its real-life decisions, however, reflect that Royal Dutch's global interests *consistently* trump those of the Netherlands. In the case of the Jambi conflict, Royal Dutch happily squandered Dutch sovereignty over its own dominium for access to greater markets. Dutch historiography, in contrasts, overplays the importance of the Netherlands for Royal Dutch. Although the Indonesian Royal Dutch's Indonesian subsidiaries were important, in comparison to the whole, they were never going to dictate business strategy. In fact, Royal Dutch Shell's stake in the US was more than three times larger than its stake in Indonesia (see figure 1).

[153] Francesce Doeve, "Het Djambi- conflict: over olie, wederkerigheid en gelijkwaardigheid", Masterscripte Universiteit Leiden (2016), 48-52, https://studenttheses.universiteitleiden.nl/access/item%3A2632104/view. Last accessed, 19 September 2022

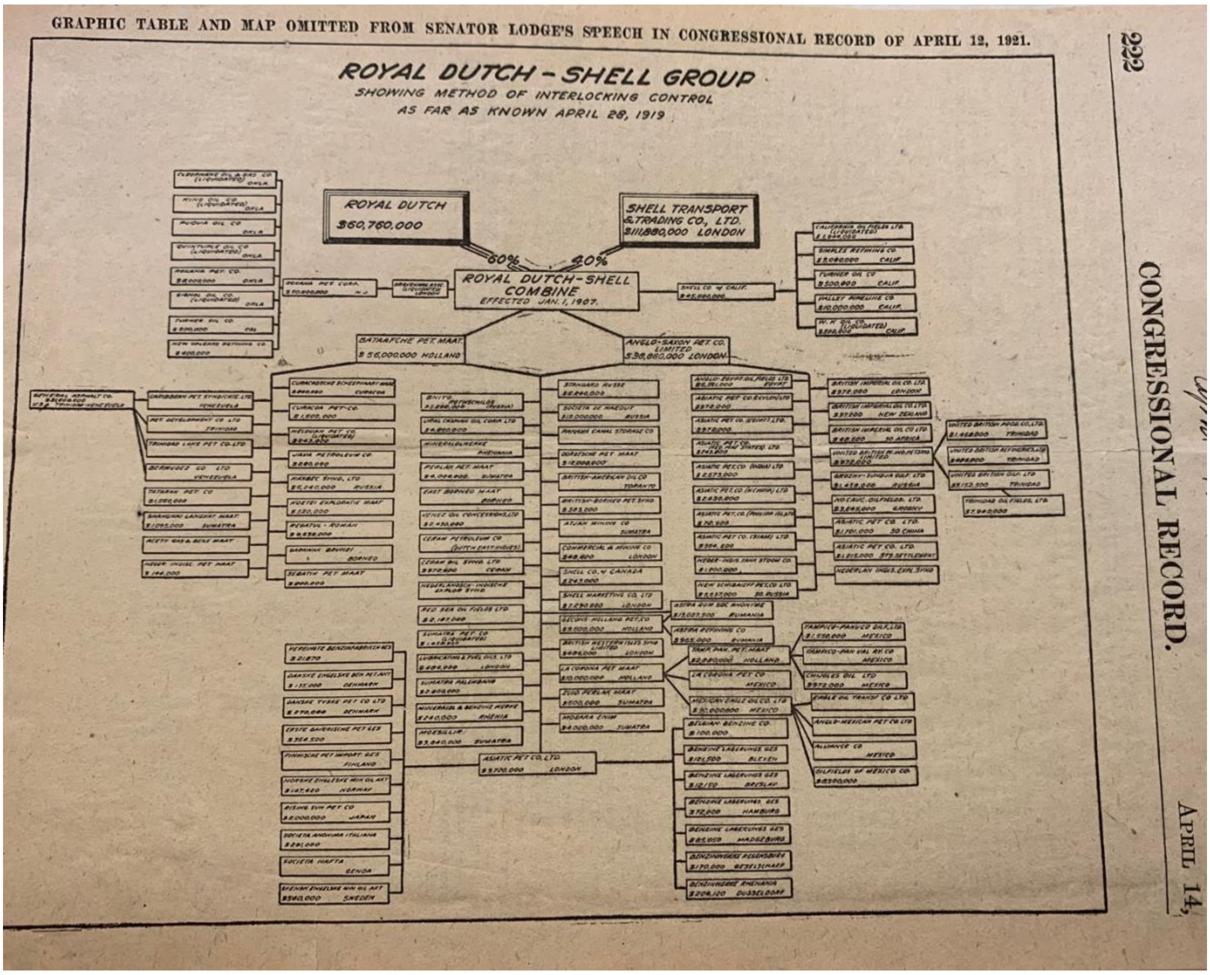

Figure 1: Schematic overview of Royal Dutch Shell in 1921. According to my calculation, Indonesian possessions round up to 30 million US dollars in worth. This was about a sixth of the company's total worth. For reference, US possessions add up to almost 100 million US dollars in worth.[154]

The global historical context, as a result, also influences the interpretation of the Jambi conflict. First, although the US did not acquire concessions in Jambi, it did achieve a foothold in Royal Dutch's Indonesian territory *and* gave a strong signal to the world that "un-reciprocal" behaviour would no longer be tolerated. Not exactly the diplomatic defeat described by Nash. Moreover, although the Jambi affair may have fizzled out, the underlying conflict did not. In 1923, the new US Secretary of Interior, Albert Fall, took up a more hawkish view on petropolitics than his predecessor. Fall decided to retaliate against the Dutch un-reciprocal attitude by enacting the "alien clause" of the Land Leasing Act. The Roxana Petroleum Company, an American subsidiary of Royal Dutch, was barred from exploiting oil wells in Oklahoma. Another Royal Dutch subsidiary, The Shell Company of California, also faced stiff

[154] Royal Dutch Shell Group, 1921, nr. 1793, 2.05.37, Inventaris van het archief van de Directie Economische Zaken van het Ministerie van Buitenlandse Zaken, 1919- 1940, *NA*.

US resistance when it attempted a takeover of another US oil company.[155] In all likelihood, this pressure opened the Dutch colonies even further to American capital.

The Dutch government, in turn, spent most of its energy repairing damage that Royal Dutch had caused. Although this was done very admirably, particularly by enacting an efficient charm offensive in US print media, it can hardly count as "a win". Considering that the Dutch government had previously spent a great deal of its political resources to keep Standard Oil out of its colonies by enacting protectionist mining legislation, it is remarkable that this policy was dropped so easily during the Jambi conflict. In the end, the Dutch government was left with a joint venture it was not particularly keen on and with US interference in its colonial backyard. Moreover, the Jambi conflict with the US also had geopolitical consequences for the Dutch government. Initially, the US planned on leaving the Netherlands out of the Far Eastern Affairs Conference of 1922 in Washington – which was surprising, considering Dutch overseas territory in the pacific. In Dutch diplomatic calls to be included in the conference, diplomats stated:

> *… failure to participate in the Conference might easily lead to serious consequences for The Netherlands, by reason of the effect upon the prestige of the mother country among the natives of the Dutch East Indies who, he said, were reconciled to Dutch control but were, nevertheless, conscious of the new political movements stirring among the races of Asia. He felt that Dutch prestige might be compromised in their eyes if the Powers were to ignore The Netherlands as a power in the Pacific.*[156]

In other words, a failure to attend an important geopolitical conference seriously questioned Dutch sovereignty in the Pacific. Although not directly related to the Jambi conflict, the affair featured heavily on the backdrop of the conference and gets mentioned as "as an instance of the sort of economic question which … would be to the interest of this Government to make one of the subjects of the Conference."[157] Royal Dutch had a habit of undermining Dutch sovereignty. In this instance, the state's diplomatic machinery had to be fired up again to control the damage. In the end, the Netherlands did not partake in the important Four and Five-Power Treaties, but the US invited the Dutch to join the less prestigious Nine Power Treaty.[158]

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[155] Nash, 66.
[156] The Secretary of State to the Minister in the Netherlands (Phillips), 500.A4/72, Papers Relating to the Foreign Relations of the United States, 1921, Volume I, *FRUS*, https://history.state.gov/historicaldocuments/frus1921v01/d69. Last Accessed, 20 September 2022.
[157] The Secretary of State to the Minister in the Netherlands (Phillips), *FRUS*.
[158] "The Washington Naval Conference, 1921 – 1922", *FRUS*, https://history.state.gov/milestones/1921-1936/naval-conference. Last Accessed, 20 September 2022.

Royal Dutch, meanwhile, remained relatively unscarred throughout the whole ordeal. It retained access to the US oil market, it was guaranteed its share in the Jambi concessions, and enjoyed continued political support from The Hague. US diplomatic documents from 1929 already highlight that "… the Djambi region was closed by virtue of the agreement between the Royal Dutch and the Netherland Indies Government for the establishment of a mutual company to operate in this region, subsequent concessions have been fairly equally divided between Dutch and American interests."[159] By this point, the issue of reciprocity seems to have been resolved. The future of BPM and the Netherlands were now more tied up than ever through joint stakes in the NIAM. Although Royal Dutch did have to give up its monopoly in Indonesia, and the US continued to obstruct some of its operations in the Americas, the company did retain global significance as an oil giant and secured almost guaranteed growth for the next decades. In essence, from a vantage point that looks beyond Indonesia, Royal Dutch probably gained more than it lost in the Jambian oil affair.

Conclusion

The core question in this chapter – how the Dutch government and Royal Dutch navigated through the prospect of American involvement in the Jambian oil fields – boils down to a question of sovereignty and the exceptional position of BPM in the Dutch decision-making process. As the previous chapters of this thesis have demonstrated, BPM and the state operated in close vicinity of each other. What the phase of US involvement in Jambi's oil history adds, however, is the argument that the state's legitimacy was challenged *because* of this close relationship with the oil industry. Moreover, with the passing of the NIAM proposal this relationship was now written in law, which practically institutionalised the oil industry in Dutch governance.

US involvement in the Jambi conflict set the tone for the corporate culture of NIAM. The power asymmetries between Royal Dutch and The Hague are glaringly obvious in this chapter. Essentially, the Dutch state did more to help Royal Dutch than *vice versa*. Royal Dutch's "chauvinist turn" was merely smoke and mirrors to distract attention from this unequal relationship. Although the US' motivation for interfering in Dutch petropolitics surpassed the relevance of Jambian oil, it did strike a nerve within the Dutch government. The sensitivity was a consequence of the fact that Jambi had become the cradle of the state's relationship with

[159] The Minister in the Netherlands (Tobin) to the Secretary of State, 1922, 856d.6363/583, Papers relating to the foreign relations of the United States, 1929, Volume III, *FRUS*, https://history.state.gov/historicaldocuments/frus1929v03/d617. Last accessed, 20 September 2022.

the oil industry. Consequently, NIAM's blueprint had Royal Dutch's oil stain over it that covered up the fundamental flaws regarding the national interest in the oil industry.

This was also the sentiment that American diplomats noticed in the Netherlands. The state and Royal Dutch made oral agreements about oil concessions in Indonesia, leaving no room for outsiders. Subsequently, the US opened simultaneous negotiations with BPM and The Hague. By doing so, The Hague was playing catch-up and repairing damage on the way. Furthermore, the "alien clause" in the Mineral Leasing Act prompted BPM to push the Dutch government to grant oil concessions to Standard Oil's Dutch subsidiary. In order to keep NIAM alive, it seems the government had no other choice than to comply. It is perhaps unsurprising that Royal Dutch did not act in accordance with Dutch interests, considering its US interests were already larger. The chapter of US interference in Jambi's oil history, thus, lays bare a crucial mistake in the state-corporate architecture for oil extraction: business interests trump national interests.

In 1923, almost two decades after van Heutsz closed the region for state exploration, the first gallons of oil were finally extracted from the Jambian oil fields by NIAM. In the timeline of this case study of Jambian oil, it also marks the next and final chapter of this thesis. Although the oil fields provided significant yields, they never fully lived up to the expectations that August Tobler raised.[160] If not copious amounts of oil, the Dutch state did get something else from Jambi's oil history: experience. In the final chapter I look at the operational side of NIAM after 1923 and embed the joint venture experience within a wider discussion regarding corporate sovereignty and NOCs.

[160] Locher-Scholten, 308-313.

Chapter IV: NIAM and Regulatory Challenges of NOCs

Moreover, I hardly need to assure you that Royal Dutch can at all times remain guaranteed of the Dutch government's serious desire, within the framework of the law, to promote its business as much as possible.[161]

- *Minister of Colonies Simon de Graaff to Henri Deterding (director of Shell)*

In 1923 a new status quo had emerged in the Indonesia oil industry. The US gained a foothold in Indonesia. The Standard-Vacuum Oil Company (Stanvac), a subsidiary of Standard Oil, steadily expanded its market share in South-East Asia and the Pacific.[162] At the same time, the The Hague had secured Jambian oil by means of NIAM: a joint venture with Royal Dutch. The restructuring of the oil complex, where Royal Dutch and the The Hague were now legal associates in the oil industry, raises questions how the new relationship functioned. Minister de Graaff's assurance to Henri Deterding (above), seems to suggest a hierarchy where Royal Dutch maintained a lot of leverage over the state. Although parliament passed the NIAM legislation with an amendment that the state's stakes trumped those of Royal Dutch, the operational dynamics were entirely different.

In the first three chapters of this thesis, I have reconstructed the relationship between the Dutch state and the oil companies in Indonesia (mostly Royal Dutch) in order to understand how these parties started as quasi-competitors and ended up as business associates in NIAM. This relationship, which was founded on a framework of mutual dependencies, however, was not equal. Notably, parliament's call for state exploitation was more in Royal Dutch's interest, because it controlled existing infrastructure, market relations, and geologic knowledge. This relationship also benefitted Dutch imperialists, who dreamed of direct rule throughout all of Indonesia. The imperial capitalist fever-dream of corporate colonialism allowed prospectors to push deep into Indonesia's oil frontiers. The sum of the militarised oil concessions, racialised labour forces, and the geologic mapping of the terrain was, arguably, already a state-corporate enterprise *pur sang*. This formation of the oil complex on Jambi's oil frontier also needed to outmanoeuvre democratic pressures. Back in The Hague, parliament was tired of Batavia's large expenditures and weary of Royal Dutch's growing political and economic outreach.

[161] Simon de Graaff to Henri Deterding February 1923, nr. 53, 2.21.108, Collectie J.P. van Limburg Stirum, *NA*.
[162] Irvine Anderson, *The Standard-Vacuum Oil Company and United States East Asian Policy, 1933-1941*, (Princeton: Princeton University Press, 2015), 15-20.

Summarising, Dutch petropolitics during the first two decades of the 1900s was founded on and rooted in deeply undemocratic politics.

In essence, the NIAM was founded on the premise of these same undemocratic petropolitics. Valerie Marcel has observed similar undemocratic petropolitics when looking at the emergence of the national oil industry in the Middle East. According to Marcel, there are power asymmetries between NOCs and their host governments: "the NOC is powerful because of its knowledge. It has technical and business expertise: it knows the fields and understands how the business works and what it costs."[163] Moreover, Marcel argues that these undemocratic foundations spill over into the present: "historical conditions in which national oil companies were created continue to have an impact on their organization today."[164] This impact comes in the form of technical knowledge, legal structures and corporate cultures. As such, understanding the historical conditions of the NIAM in Jambi means understanding the outlook of Dutch petropolitics today.

Generally, NOCs like NIAM are underexplored in the academic literature for two main reasons. Firstly, unlike many other nationalised oil industries, the Dutch state did not have full state control over Indonesia's oil reserves. Instead, the state only exploited Jambian oil. Even in this instance, however, the state partnered with Royal Dutch, which meant that the NIAM was a NOC that does not neatly fall into a single category. Moreover, it raises the question whether NIAM is a NOC in the first place? As this chapter will discuss later, NOCs come in a myriad of shapes and sizes. Therefore, I argue that the NIAM is simply one of the many manifestations in the landscape of the national oil industry. Since the NIAM is a bit of an outlier, it is worthwhile offsetting its case against the general rule. Petrostates are often typified as small corrupt countries that rely fully on their nationalised oil industries. Adding other constructions such as joint ventures to this equation can expand our understanding how political elites and corporations enrich themselves through a country's natural resources at the expense of non-elites.

A second reason is that scholars mostly pay attention to the post-WWII NOC, which emerged after the first waves of decolonisation and are now responsible for the lion's share of the oil industry. The 1920s, however, are usually not much more than a footnote in the history of NOCs.[165] Considering the historical context wherein NIAM was founded, Jambi's case is a

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[163] Valerie Marcel, *Oil Titans: National Oil Companies in the Middle East*, (Washington D.C.: Brookings Institution Press, 2006), 4.
[164] Marcel, 36
[165] David G. Victor, "National Oil Companies and the Future of the Oil Industry", *Annual Review of Resource Economics*, vol. 5, (2013), 447-449.

strong addition to the academic narrative of NOCs. Can a public-private joint venture ever work in the national interest? In one of the most serious analyses of NOCs, *Oil and Governance*, the authors hypothesise that NOCs endure and maintain their prominence in global petropolitics because they provide political elites "with rents that are easier to capture" and because NOCs have deep political connections paired with healthy revenue streams.[166] Certainly, it seems that both hypotheses apply to the NIAM in Jambi. Moreover, if the global blueprint for NOCs (if there even is such a common denominator) is founded on the colonial context of extraction, how does that influence the extractive practices of (semi-)nationalised oil ventures in the present?

The cradle of the Dutch NOC in Jambi raises concern that the current oil complex in the Netherlands, particularly the NAM in Groningen, operates on fundamentally the same undemocratic tradition as it was founded on. To illuminate this connection, it is necessary to understand the NIAM's relation to the wider landscape of NOCs. Why do governments opt to nationalise domestic oil exploits? What is the variation in NOCs and are there common denominators? What are the regulatory risks of drafting a NOC, particularly regarding governmental-corporate joint ventures? By embedding the case of Jambi and the NIAM in the broader context of NOCs I question the extent of undemocratic forces in contemporary petropolitics and argue that the current oil complex in the Netherlands, at least in part, explicitly builds on prior experience in Jambi through NIAM.

NIAM and Asymmetries of Power

Simon de Graaff's assurance to Henri Deterding concerned export tariffs on Indonesian oil. While The Hague was negotiating with BPM over NIAM, Deterding started upping the ante. After WWI, the war-time fiscal measures were replaced by increased taxations on profits. WWI had dramatically increased the demand for oil leaving Royal Dutch with huge windfall profits. Since fiscal reforms in Indonesia could only be implemented after the Dutch East Indies budget was passed through parliament, the new taxation was to be implemented retroactively. This gave Royal Dutch enough time to prepare a strategy to avoid the impact of these fiscal adjustments. In the meantime, a knottier problem emerged. Presumably in an effort to tax Royal Dutch's windfall profits on oil, the government started targeting petroleum products with specific tariffs. Keeping in mind that parliament was pushing for more state involvement in

[166] David Victor, David Hults, Mark Thurber, "Introduction", in *Oil and Governance: State-Owned Enterprises and the World Energy Supply*, ed. David Victor, David Hults and Mark Thurber, (Cambridge: Cambridge University Press, 2012), 10.

Indonesia's resources in order to reap the mineral benefits and to take a tough stance against Royal Dutch, these new tariffs were, in part, a token of goodwill to satisfy critical members of parliament. The government had already failed to pass legislation for the exploitation of Jambian oil once, so it could not be seen to be complacent against Royal Dutch – particularly considering the company's ongoing tax avoidance practices and windfall profits

The oil tariffs, however, proved to be explosive for the NIAM negotiations between The Hague and BPM. In 1921, Royal Dutch started an anti-tariffs campaign in the press. In August, Deterding and other high-ranking employees published an open letter in Dutch newspapers directed at Minister of Colonies Simon de Graaff. The letter warned about the political dangers of enacting the oil tariffs. Royal Dutch clearly chose the chauvinist narrative, as Deterding argued that the tariffs were "a gift" to "foreign companies".[167] The message was clear: the tariffs will lead to higher energy prices for citizens, and foreign companies will profit from Indonesian oil. Repeatedly, Royal Dutch willingly played the role of the chauvinist victim of government interference. The fact that Hendrikus Colijn (leader of the Christian Democrats) and Bonne de Jonge (former minister of war) were signees of the letter ramped up political pressure against the government. Moreover, Deterding was playing a zero-sum game; if the tariffs remained, NIAM was off the table. Royal Dutch's aggressive stance towards the government did not go unnoticed in parliament. In an address about the windfall tax on Royal Dutch a member of parliament argued: "nothing ever came of it [windfall tax], because the Minister did not adopt the proposed tariffs; it was said at the time that if these taxes had been carried out, the joint petroleum company would have to be shut down."[168]

The tariffs quickly became Deterding's personal vendetta that The Hague had difficulties navigating around. Although calculations showed that the oil tariffs did not impact Royal Dutch all that significantly, Deterding and his executives did not show signs of backing down.[169] The unproportionate reaction to even the slightest government interference, then, was strongly tied to the Jambi negotiations. In November 1921, Deterding sent minister de Graaff a letter in which he threatened to blow up the NIAM negotiations. The letter expressed serious doubts whether Royal Dutch could execute the NIAM proposal considering the oil tariffs.[170] The threat proved highly effective. In the same month, de Graaff committed to abolishing the

[167] "Uitvoerrecht op Petroleum", *Het Vaderland: Staat- en Letterkundig Nieuwsblad*, 24-08-1921.
[168] "Maidenspeech Cramer", vel. 10, (1924), *Eerste Kamer*, https://www.eerstekamer.nl/maidenspeech/_290/f=x.pdf. Last Accessed, 30 November 2022.
[169] Joost Jonker and Jan Luiten van Zanden, *Geschiedenis van Koninklijke Shell: Van Nieuwkomer tot Marktleider, 1890-1939,* (Amsterdam: Boom, 2007), 268.
[170] Joost Jonker, Jan Luiten van Zanden, 269.

tariffs, which were ultimately abolished in 1923, just before NIAM started to export oil. This brings us back to the assurances that de Graaff sent Deterding in February 1923. De Graaff summed up the fiscal changes that the NIAM and Royal Dutch would be subject to. These included no more oil tariffs, an exemption from the windfall tax, and notably, a partial exemption of the general tax. These commitments were made despite explicit advice from fiscal experts *not* to provide Royal Dutch with fiscal benefits, because this would weigh heavy on the colonial treasury and scare off foreign investors.[171] It seems that NIAM was primarily a vehicle for Royal Dutch to pressure the Dutch government for fiscal benefits and other lucrative exceptions.

Benefits and Risks in the National Oil Industry

Royal Dutch had the upper hand in the negotiations with The Hague. The state had to "gift" its negotiating partner lucrative fiscal benefits to secure NIAM. In other words, NIAM was very early on subjected to Royal Dutch's sovereign reach. The question is what the state got in return. As *Oil and Governance* hypothesises, the state could expect a profitable company with rents that are easily captured (for political elites). This is one of the hallmarks of the NOC. Taxation of oil companies is difficult because they have comparatively low production costs while also wielding strong leverage over the flow of a crucial tactical resource. There are ample examples of states attempting to increase taxation or introduce tariffs, but often oil companies get away with paying the bare minimum.[172] Nationalising the industry or entering the industry through joint ventures, then, allows the state to enjoy the petroleum rents without the need for taxation. Furthermore, being an operational agent in the industry, hypothetically, gives states a say in the flow of oil through board membership, government oversight or parliamentary control.[173]

Generalising, there are three incentives why a state would attempt to nationalise (part of) the oil industry that can be discerned in the literature. One is "state objectives", which include incentives to apply national control over oil reserves that lie within the boundary of a state's dominium, and the power to direct the oil (revenues) that flow out of public exploitation. When oil is crucial for the domestic energy supply and a matter of national security, a state

[171] *Eenige meeningen over de voorgestelde Indische aardoliebelasting*, (Leiden: Koninklijke Nederlandsche Maatschappij tot Exploitatie van Petroleumbronnen in Nederlandsch-Indië, 1924), 67.

[172] David Hults, "Petróleos de Venezuela, S.A. (PDVSA): From Independence to Subservience", in *Oil and Governance*, ed. David Victor, David Hults and Mark Thurber, (Cambridge: Cambridge University Press, 2012).

[173] David Hults, "Hybrid Governance: State Management of National Oil Companies", in *Oil and Governance*, ed. David Victor, David Hults and Mark Thurber, (Cambridge: Cambridge University Press, 2012), 62-66.

might want to operate refineries and exploit oil fields itself to ensure the flow of oil.[174] Second is "state institutions". When the weakness of state institutions causes them to fail at regulating the oil complex, a government might decide on creating a NOC to have a seat at the table together with the partners it is trying to regulate. This can be because the state is unsatisfied with the tax revenue from the profitable private oil industry or because the state lacks the means to exert power over private corporations.[175] Third is the "nature of oil reserves". The influence of the material and geologic nature of the petroleum resources has a deciding impact on the state's decision to nationalise the oil industry. Basically, "state companies will continue to thrive where there are low-risk and low-cost hydrocarbons to manage".[176] Risk management has two consequences for state involvement in the oil industry. Low risks pull the state in, while high risks push the state out. Ironically, however, the consequences of state exploitation in the oil industry suggest (there are notable exceptions) that NOCs are much harder to regulate than private oil companies.

There are three main reasons why regulating NOCs can become increasingly complicated for the state. As the material component of petroleum might suggest, the logic of geology plays a huge part. When an oil field is discovered that produces proven yields, a company can make easy profits. The oil complex emerges on the oil frontier with networks of infrastructure. These easy profits can tempt a state into partaking in the industry *after* the riskiest phase has passed. In time, the oil frontier is domesticated, and its oil reserves are always finite. Nationalised oil industries are infamously bad at expanding their operations internationally. Only a select handful of NOCs such as Norway's Equinor and Brazil's Petrobas have expanded their national industries abroad. As Peter Nolan and Mark Thurber postulate: "When oil operations are at their riskiest (the 'frontier'), there is a strong preference for [international oil companies] that can mobilise expertise and spread risks across a large portfolio of global projects."[177] After an oil field becomes mature, risks rise again but NOCs are unable to spread these risks over a global portfolio. The choice between new frontiers or saturated oil fields is a crucial question for states who are directly involved in the oil industry. Examples like Mexico and Kuwait demonstrate that it is remarkably hard to roll back state

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[174] Victor, 447-448.
[175] Victor, 447.
[176] Peter Nolan and Mark Thurber, "On the State's choice of Oil Company: Risk Management and the Frontier of the Petroleum Industry", in *Oil and Governance*, ed. David Victor, David Hults and Mark Thurber, (Cambridge: Cambridge University Press, 2012), 167.
[177] David Victor, David Hults and Mark Thurber, "Major Conclusions and Implications for the Future of the Oil Industry", in *Oil and Governance*, ed. David Victor, David Hults and Mark Thurber, (Cambridge: Cambridge University Press, 2012), 893.

control even when geology suggests doing so.[178] In other words, states are stuck carrying the risks and consequences of underperforming oil fields, while NOCs are happily being sheltered from international competition.

A second reason why NOCs are harder to regulate is because they become "a state within a state", which is part of what Timothy Mitchel calls the "state effect". According to Mitchel, the definition of the state goes further than the traditional understanding of the "formal political system". Drafting a NOC produces and maintains artificial distinctions between public and private. This distinction generates leverage for a NOC because it can be said that they "lie outside of the 'formal political system', thereby disguising its role in international politics".[179] Moreover, NOCs such as Gazprom in the 1990s started to operate as a state within a state. Gazprom's artificial independence from government (state effect) allowed it to politically undermine its host government on various issues.[180] Studies have argued that NOCs with a lot of political power form large operational networks whereover the state has little sovereignty; in fact, some NOCs are responsible for their own regulatory control.[181] In essence, while private oil companies can be kept at a safe distance, powerful NOCs use their political connections to insulate themselves from democratic and regulatory oversight. This allows NOCs to act on their own behalf; and a NOC's interest does not necessarily align with the interest of the host nation.

Thirdly the so-called "governance trap" makes it harder for governments to regulate NOCs after nationalising (a part of) the oil industry. As previously mentioned, a government might choose to nationalise the oil industry because it does not believe the state's institutions are adequately equipped to regulate the powerful private enterprise that accompanies the exploitation of oil fields. State exploitation offers these governments a seat at the table of the industry, which in theory allows the state to exert more direct control over private oil companies or the oil industry in general (if fully nationalised).[182] In practice, however, this regulatory

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[178] Ognan Stojanovski, "Handcuffed: An Assement of Pemex's Performance and Strategy", in *Oil and Governance*, ed. David Victor, David Hults and Mark Thurber, (Cambridge: Cambridge University Press, 2012).
Paul Stevens, "Kuwait Petroleum Company (KPC): An Enterprise in Gridlock", in *Oil and Governance*, ed. David Victor, David Hults and Mark Thurber, (Cambridge: Cambridge University Press, 2012).
[179] Timothy Mitchel, "Society, Economy, and the State Effect", in *State/Culture*, ed. Steinmetz, 83.
[180] David Hults, "Petróleos de Venezuela, S.A. (PDVSA): From Independence to Subservience", in *Oil and Governance*, ed. David Victor, David Hults and Mark Thurber, (Cambridge: Cambridge University Press, 2012).
[181] Bernard Mommer, *Global Oil and the Nation State*, (Oxford: Oxford University Press, 2002).
[182] David Victor, David Hults and Mark Thurber, "Major Conclusions and Implications for the Future of the Oil Industry", in *Oil and Governance*, ed. David Victor, David Hults and Mark Thurber, (Cambridge: Cambridge University Press, 2012), 889.

strategy does usually not yield the expected benefits. The governance trap is mainly defined as a "path-dependent equilibrium in which states with contested authority fail to penetrate civil society, […] resulting in states that under supply political order and economic opportunity".[183] Concretely, after a government decides on the creation of a NOC, there is hardly an incentive to create governing institution to regulate the national oil industry –particularly if revenues start flowing in. As a result, the government figurative "seat at the table" is in risk of being used against the national interest.

In sum, there are various reasons why a government would choose to nationalise its domestic oil exploits – as schematically demonstrated in figure 2. This is not to say, however, that this is a deterministic model of NOCs. The reasons for states to nationalise the oil industry vary greatly, but generally fit into one of these categories (although they often overlap). There is also an enormous variation in the type of nationalisation beyond full nationalisation or a governmental-corporate joint venture. For instance, the state can build from the ground up, or nationalise existing companies. Also, the state can nationalise exploits in particular territorial concessions with a joint venture (as with the NIAM), or simply nationalise part of the industry while maintaining foreign competition. Ultimately, it makes little sense to narrow the definition of NOCs because their existence is inherently defined by the changing geologic and political relation to the region and its government.

Finally, it is difficult to describe a common denominator among NOCs. The wide-ranging variety among NOCs demonstrates how strongly the profile of these companies are linked to a nation's geology and politics. Some NOCs can be successfully regulated and provide the nation with large profits while others exploit underperforming fields and politically undermine the host nation. This variety is explained, again, by the nature of oil reserves and state institutions. In general, however, it can be said that through creating a NOC a nation wants to exert sovereign power over its domestic oil supplies. Either a government is of the opinion that it receives too little revenue from oil reserves, or a state does not have access to institutions to regulate the private oil companies. Another generalisation that can be made about NOCs is that they are not easier to regulate than private enterprise, as they come with their own set of risks. Why NOCs are still ubiquitous, then, is because they provide political elites with steady flows of revenue, and they ensure their own perpetuation through deeply rooted political connections.

[183] Neil Shenai, *Escaping the Governance Trap: Economic Reform in the Northern Triangle*, (Cham: Palgrave Macmillan, 2022), 3.

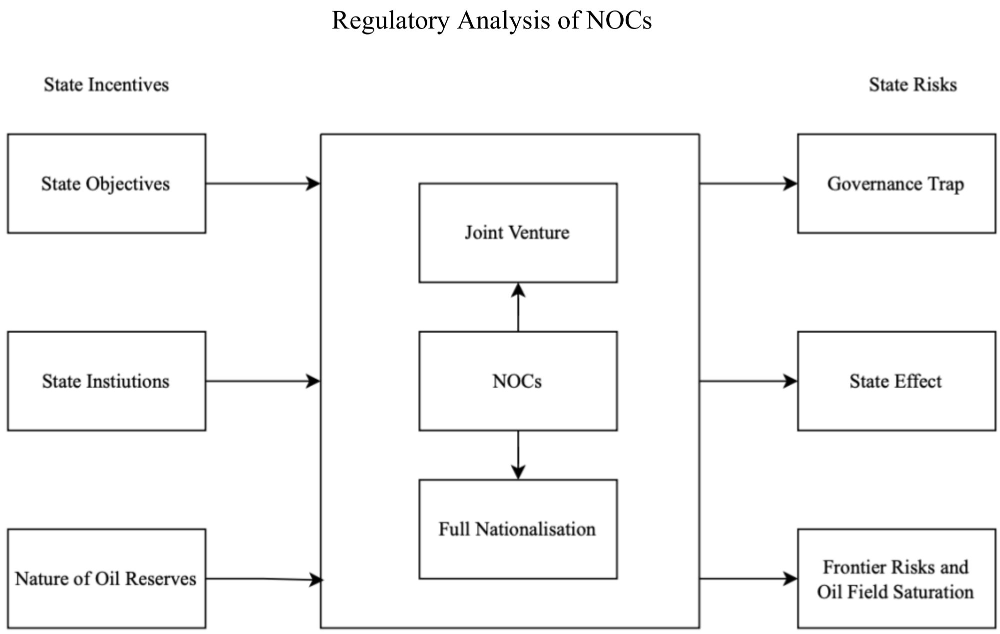

Figure 2: Schematic overview of risk-benefit analysis why a state would be incentivised to draft a NOC and the risks involved in doing so. The incentives lead to a nationalised oil industry that is either fully exploited by the state or exploited in conjunction with corporate partners, e.g., through a joint venture. Consequently, nationalisation in the oil industry leads to potential regulatory risks of NOCs.

The National Oil Industry in Jambi

The case of the Dutch national oil industry in Jambi follows some of the patterns of NOCs but there are also some distinct differences. As I explain in more detail, the incentives for a national oil industry were mostly present in Jambi. There was a domesticated frontier with proven oil reserves; the state was unsatisfied with the potential revenue and involvement; and state institutions were unable to regulate Royal Dutch. NIAM, however, was a remarkable solution to the state exploration debate, which led to similarly remarkable regulatory problems.

As the previous chapters have explored, the Jambi region in Sumatra was a colonial resource frontier. Dutch imperialists were driven by administrative goals, which decidedly went hand in hand with oil extraction. The question whether oil was a tool to achieve pacification or pacification was a tool to extract oil is hard to answer. Arguably, both statements are not mutually exclusive. More importantly, however, the fantasy of a colonial frontier introduced the oil complex in Jambi. At the heart of this complex were the Dutch (colonial) state and the oil companies. Since the sultanate of Jambi was not yet subjected, the need for cooperation was strong. For instance, photographs of Dutch military soldiers guarding corporate drilling sites demonstrates the interplay between pacification and oil in the frontier: *extraction equals regulation*. The Jambian oil frontier was, thus, the first step towards the joint venture known as NIAM.

Although the Dutch government closed the Jambian oil fields for state exploration in 1904, the government was not keen to exploit its own oil reserves in Jambi. As is the case with most NOCs, the state saw many obstacles on the road towards state exploitation and recognised that corporate counterparts were crucial to domesticate the oil frontier. One company was always going to be the chosen one: Royal Dutch. Although Royal Dutch managed to enforce itself a privileged position, the government was happy to ride the wave of the oil boom in order to regulate the Jambian frontier. In the following years, Dutch direct rule was installed in Jambi; geologists had proven the existence of oil fields; and Royal Dutch had established itself as the strongest corporate player in Indonesia after its merger with Shell. In other words, the riskiest phase of the frontier had passed. Dutch lawmakers recognised this, and they started to object to Royal Dutch's easy profits with low returns for the state. It is no coincidence that the state exploitation debate started *after* the Dutch had established direct rule through military campaigns and had obtained scientific reports proving the existence of oil.

The nature of the oil reserves, then, was an important driver of parliament's state exploitation argument. There was direct rule in the Jambi region, neighbouring regions already had a flourishing oil industry, and oil was supplied to the market through an advanced network. Why should the Dutch state not have a stake in Royal Dutch's business if the risks of exploiting Jambi had swiftly dissipated? Not only the quantity of oil was important; Indonesian oil had proven to be of the highest quality and was easy to refine, which made it a much sought-after commodity.[184] Essentially, the nature of the oil reserves after direct rule was established in Jambi attracted many proponents of state exploitation.

The state institutions, however, were not capable of regulating the Indonesian oil industry. In part, this was the consequence of Batavia sponsoring Royal Dutch's monopoly. At a certain point after 1907, Royal Dutch shipped and refined practically *all* the oil pumped up in Indonesia. Moreover, BPM had strategically intensified its political hold on The Hague and Batavia; ministers and governors-generals were often ex-employees of Royal Dutch. In other words, the political elites pushed back against state exploitation, which resulted in the inability of the Dutch state institutions to regulate Royal Dutch's exploits in Indonesia. The reality of the two decades between the closing of the Jambian oil fields in 1904 and the creation of NIAM

[184] Joost Jonker and Jan Luiten van Zanden, 53-54.

in 1921 is that the Dutch petrostate had already developed before NIAM started operating; it just was not signed into a legal contract yet. The state institutions failed at regulating Royal Dutch in Indonesia because these institutions were often in some way or another working on Royal Dutch's behalf. Take, for instance, the oil tariffs discussed earlier in this chapter; the government's executive branch was unable to enforce its own fiscal reforms on Indonesia's biggest company. Exactly this shared sovereignty over the state's dominium was a strong argument for parliament to "take back control". The thought was that Royal Dutch would be easier to regulate if the government had a seat at the table; discussions about taxation are far less important if you are making easy large profits on behalf of the industry itself.

State objectives were a lot more ambiguous. In review of the first three chapters, there are a few state objectives to create a NOC that can be discerned. However, all of them have problematic or ambiguous aspects to them. First, when van Heutsz closed the Jambian oil reserves, the strategy was to capture as much oil rents as possible through the sale of concessions. At the same time, the Dutch government was courting private investors and avoiding state exploitation at all costs. Although the creation of NIAM had fiscal reasoning to it, it had hardly anything to do with a clear strategy or a long-term state objective. Second was control over the oil reserves and flow of oil in general, which could be heard during and shortly after WWI. This also had little to do with the NIAM for mostly geographical reasons. Indonesia is almost precisely the other side of the world for the Netherlands. Indonesian oil was refined and sold in the pacific region for practical reasons. The biggest client of this oil were the colonies of the British Empire to fuel its military and enormous shipping fleet.[185] Nationalising the oil industry would have little impact on Dutch fuel prices or strategic oil reserves. The most compelling state objective was the advancement of the national interest in the Dutch East Indies. There was fear that by allowing foreign oil prospectors into Jambi the state sovereignty over Indonesia would be contested by either the Japanese or the Americans. Royal Dutch played into this fear with chauvinist rhetoric. The Jambi affair with the US demonstrates that foreign influence in Indonesia was a thorny issue. An argument can be made that the US involvement forced the Dutch government into a joint venture with Royal Dutch. However, it is more likely that US intervention accelerated the process that would secure Jambian oil rents for the state.

In essence, the nature of the oil reserves as described by the geologist August Tobler led many to believe that Jambian oil was some kind of untouched mountain of gold – his reports

[185] Joost Jonker and Jan Luiten van Zanden, 105-110.

might as well have been seen as the roadmap to El Dorado.[186] After the dust had settled following the military campaigns into Jambi, the state wanted to capture this wealth by selling concessions to private enterprise. The colonial mining legislation was altered, allowing the state to benefit from Jambian oil. Quickly, however, the state also realised it did not have the institutional power to regulate Royal Dutch because it was practically part of these institutions itself. Since nationalising the entire oil industry – as demonstrated in chapter II – was deemed impossible, a joint venture with Royal Dutch to exploit the oil was seen as the most viable compromise. Problematically, however, you do not have to nationalise the entire oil industry to be susceptible to the regulatory risks of NOCs. In the case of NIAM, the added danger was that it did not turn out to be the vehicle of state control but a legalised corporate sovereign.

When analysing the NIAM's operatorial structure, these regulatory risks become apparent. Moreover, these risks were already addressed by contemporary commentators. One commentator, W.J. Twiss, explains how the NIAM was founded on the "conditions that were intended to guarantee [the Netherlands] a predominant control in the management of this mixed company as well as a large share in its profits." Twiss continues that in practice this "sheep-wolf alliance" did not add up to much.[187] Considering the author's national-socialist signature, he argued that the state was losing its sovereign power to big business in Indonesia. Another commentator raises concern that BPM, who in practice operated NIAM's concessions, actively lowered the NIAM's potential oil yields. These allegations were fuelled by NIAM's slow growth and disappointing output, particularly in comparison to BPM's other more dynamic and profitable ventures in Indonesia.[188] In short, there was a wide-spread suspicion that the NIAM was at the mercy of BPM.

Considering the "state effect", and to some extent the so-called "governance trap", the extensive power asymmetry between the Dutch state and BPM can be explained. First, as this thesis has extensively argued, this power asymmetry between The Hague and Royal Dutch existed before the creation of NIAM. Creating a NOC, however, demarcated artificial changes in the landscape that had regulatory consequences. The effect of state must be understood *not* as an entity set apart from society or the economy. The state is nevertheless real, but the border where states stop is abstracted and artificial. These abstracted borders between what is state

[186] Joost Jonker and Jan Luiten van Zanden, 264.
[187] W.J. Twiss, "Extra Heffingen op de Indische Petroleum", *Nieuw Nederland: Maandblad voor Economie Staatkunde en Cultuur*, 2e Jaargang, no.6 (1935), 427.
[188] F.S. Noordhoff, *Petroleum en Petroleum*-Politiek, (Gouda: Johan Mulder Uitgever, 1927), 99-100.

and non-state, however, have their own logics of power: a state can project sovereignty by defining its dominium and creating a national entity.

In the case of NIAM, it blurred an artificial distinction while also created one. The oil complex where the The Hague and Royal Dutch were the main competing rivals suddenly turned into a situation where they became business associates. Subsequently, the border between the state's interests and the oil company's interests artificially converged. The power asymmetry between BPM and the state, however, did not shift due to NIAM. If anything, it was strengthened. BPM was more than a co-owner of NIAM's shares; it provided a work force and equipment. Also, the Jambian oil went through BPM's pipelines to Palembang, where it was refined in BPM's refineries. Thereafter, it was shipped and sold by BPM. In a contract it stated that NIAM did not have any employees of its own and was entirely dependent on BPM. Further, the state was responsible for the start-up capital of the NIAM, which was not only a big sum of money, but the state also paid more than six percent annual interest rates the loans.[189] The state was, thus, responsible for the risks. Ultimately, Royal Dutch maintained that it was working in the national interest while pointing at the joint venture with the state. The state, meanwhile, due to its dependency on BPM in the joint venture, could hardly object.

The creation of an artificial distinction partly overlaps with the so-called "governance trap". When the national oil interest was harboured in an external company (NIAM), a distinction was made between national interest and oil interest. This independence from government allowed NIAM to undermine Dutch interests. The governance trap occurred when the state's institutions failed regulating NIAM's interests (as dictated by BPM). Essentially, the government's seat at the table insulated the corporate interests from democratic oversight. Royal Dutch used the government's involvement in NIAM to enforce its own will, which did not align with the national interest. The most explicit example where the Dutch stake in the industry backfired was Deterding's vendetta over oil tariffs, which Royal Dutch used to threaten its participation in NIAM. Due to the formalised power asymmetry in NIAM, this sort of blackmail was very effective. Although the state was co-owner of the NIAM, its seat at the table aligned with BPM's interest in the oil industry.

[189] A. Groothoff, *De Gemengde Bedrijven in Nederlands-Indië*, (Den Haag: Firma F.J. Belinfaute, 1925), 9-10.

NIAM in the World of NOCs

The landscape of NOCs is diverse. Even NIAM, a hybrid NOC operating in a private oil industry, is undeniably a NOC. With the creation of a NOC comes a particular set of regulatory challenges. The main conclusion of offsetting NIAM's case in Jambi against the backdrop of the wider scholarship is that the negative regulatory effects of a NOC are present even if the company is not completely state-owned and the oil industry is not fully nationalised. Furthermore, the historical conditions wherein a NOC was founded leave a deciding mark on the present due to the hallmarks of an NOC (easy rents and political insulation). Regardless of the negative consequences of the government's partnership with Royal Dutch, NIAM did supply the state with a steady influx of revenue, for which the state had to do virtually nothing. The whole extraction process, refining and marketing was handled by BPM; all the state had to do was carry the risks and turn a blind eye to Royal Dutch's accumulation of exceptions. In 1934, NIAM was responsible for a bit less than a tenth of the Indonesian oil extraction. Not a huge part of the industry, but nevertheless a significant chunk that translated into a sizeable passive income.[190]

Further, the cooperation between the state and Royal Dutch became so tight that the continuation of NIAM arguably lasts until this day. Although NIAM never saturated the Jambian oil fields due to its departure from Indonesia after WWII, the national oil industry did look elsewhere for new frontiers within the state's dominium. Notably, oil and gas are still extracted in Schoonebeek and in the province of Groningen by the NAM. Although the NAM is a different oil company, initially composed of Shell and Esso, it can be seen as a continuation of the Dutch national oil industry in Indonesia because of its role in a wider public-private gas venture model (*Gasgebouw*).[191] Ultimately, easy rents and political intertwinement ensured NIAM's survival, albeit under a different name in different circumstances.

Precisely the NIAM's colonial connection to the present public-private petroleum industry calls for a discussion about the Dutch petrostate. As the previous chapters have demonstrated, the road to NIAM was extractive and undemocratic. Furthermore, this chapter emphasises the power asymmetry between state and corporate interests in NOCs. Since petrostates are usually understood as small corrupt countries that are totally reliant on their national oil industries, NIAM's case highlights that countries such as the Netherlands are susceptible to similar risks. The dominance of the petroleum industry in Dutch political culture

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[190] Twiss, 440.

[191] Marin Kuyt, "De Staat en Fossiele Brandstoffen: Een Koloniaal Huwelijk", *Environment & Society*, https://totopdebodem.substack.com/p/de-staat-en-fossiele-brandstoffen. Last accessed, 30 November 2022.

steers the Netherlands towards the perilous path of climate inaction and perpetuates an inequity where political elites enjoy passive rents from the petroleum industry.

Conclusion

I started this thesis with asking a straightforward question: is the Netherlands a petrostate? My intention has been to demonstrate how the colonial roots of the Dutch petroleum industry define the current oil complex in the Netherlands. Specifically, this study of Jambi's oil history between 1904 and 1923 explores archival evidence of the emerging Dutch petrostate. The significance of the Dutch petroleum industry's colonial origins is often overlooked – both in the public debate and in academic studies. Exploring the petrostate's colonial heritage helps explain the longevity of fossil dependency and the slow erosion of democratic oversight. The undemocratic petropolitics and colonial extractive practices are foundational to the petrostate's heritage and became institutionalised in Jambi through NIAM. In other words, the historical context wherein the state's relations with the oil industry were formed became a blueprint for future relations.

The search for the golden spike of the Dutch petrostate took place in Jambi, where the Dutch (colonial) state and Royal Dutch competed *and* cooperated regarding oil reserves but ended up as business associates in a hybrid public-private NOC (NIAM). The answer to the question why they ended up as business associates, however, is not unequivocal. This is mainly because before NIAM was founded, Royal Dutch and the state were continuously in strife, while simultaneously dependent on one another; quasi-competitors. The corporate relationship between the state and Royal Dutch, as this thesis emphasises, was not equal. The inequalities in this relationship drove the course of action that was taken in the steps towards NIAM. Subsequently, as the wider context of NOCs also suggests, institutionalising the corporate relationship with Royal Dutch in NIAM brought along more potent regulatory risks.

The closure of the Jambian oil fields in 1904 I have marked the start of the Jambian oil affair. Batavia aimed at maximising its profits and regulating the Jambian oil frontier by contracting distinguished geologists to map the region's resources. Archival records in Chapter I showed that during the early 1900s, Royal Dutch already made attempts to undermine Batavia's control over Jambi through, for instance, illegal drilling practices. Moreover, the spectre of Standard Oil's involvement in the Indonesian oil industry drove The Hague to draft protectionist legislation, and it was no coincidence that this protectionism benefited Royal Dutch's market share in Indonesia. Essentially, the Dutch state was sponsoring Royal Dutch's monopoly. These Petropolitics, however, are inherently undemocratic. The Dutch parliament was tired of Batavia's large expenditures and weary of Royal Dutch's growing political influence. Parliament's democratic control sparked the state exploration debate; the proponents wanted to nationalise the Indonesian oil industry. In the wake of parliament's state exploration debate, The Hague and Royal Dutch bent over backwards to dodge parliament's democratic pressure.

The power asymmetry between Royal Dutch and the state became more obvious after the closure of the Jambian oil fields in 1904. Chapter II discussed three attempts by The Hague to leave Jambian oil exploitation to BPM (Royal Dutch Shell's operational subsidiary in Indonesia). All three efforts were symptomatic of the state-corporate power asymmetries. BPM controlled the whole chain of operations, from infrastructure to market networks. Since the government wanted to avoid state exploitation at all costs, Dutch officials left themselves defenceless against BPM's fiscal demands. Parliament, however, did not play along. Members of parliament explicitly called for state exploitation of the Jambian oil fields to attain a seat at the table of Royal Dutch's powerful oil industry. Parliament blocked the first two attempts and critically assessed that the proposed legislation would lead to the state playing second fiddle to BPM's demands. Royal Dutch attempted to turn the tide with a "chauvinist turn". When the spectre of Standard Oil was on the horizon again, BPM's royal pedigree helped pass the NIAM legislation in 1921. Although The Hague would have the upper hand on the board of directors, the hybrid public-private construction ultimately benefitted BPM more than it did the state.

Even though The Hague and Royal Dutch hoped that the NIAM legislation would put a lid on the Jambi affair, the conflict became global news after the Netherlands got involved in a diplomatic row with the US. Before the NIAM proposal was presented to parliament, the US had already communicated to the Dutch government via diplomatic channels that, under the banner of "reciprocation", the US wanted Standard Oil to be involved in the Jambian oil concessions. Aside from putting pressure on the NIAM legislation, a sensitive nerve was struck in the Dutch government. The archival records of US involvement show that negotiations were held between BPM and the US state department, while the Dutch foreign office was often left playing catch-up. Considering Royal Dutch's immense business interests in the US, a deal was struck where Royal Dutch retained access to the US market and got to exploit Jambian oil through NIAM. In return, Standard Oil obtained reciprocal access to oil in the Dutch East Indies. The negotiations demonstrate how Royal Dutch had manoeuvred itself into a position that enabled a degree of sovereignty over Dutch dominium. Chapter III underscored the fact that Royal Dutch's Indonesian concessions were not as important to them as they used to be. The tone of the relationship for NIAM had been set.

Almost two decades after the closure of the Jambian oil fields, state oil was finally extracted in 1923. Chapter IV analysed the operational and legal structure of NIAM and offset it against the wider framework of national oil industries. Although the NIAM did not represent a fully nationalised oil industry, the public-private structure did nevertheless pose similar regulatory risks. Furthermore, the global persistence of NOCs, despite such companies being less competitive than its private counterparts, questions NIAM's continuation in the Netherlands (albeit under a different name in another governmental-corporate structure). NOCs are remarkably adept at insulating themselves from democratic oversight and provide political elites with easy-to-capture rents. As the paradox in the title of this thesis hints at, petrostates are strongly tied to the corporations they rely on. The state created NIAM and insulated Royal Dutch within its own national oil industry. The national oil industry relied on the state's political insulation but also undermined the national interest – business interest trumps national interest in the logic of global capitalism.

In essence, the process of The Hague and Royal Dutch entering a joint venture together can be summed up by three driving forces. (1) First, parliament pressured The Hague to take a seat at the table of the oil industry by calling for state exploitation. (2) Second, the (colonial) government and Royal Dutch tried to avoid these democratic pressures, which led to a public-private compromise. (3) Third, Royal Dutch and political elites saw opportunities to insulate themselves from democratic oversight by entering a joint venture with the state. Ultimately, NIAM's founding history should be characterised by evading democratic pressures and protecting corporate sovereignty. The blurring of public-private boundaries, or the so-called "state effect", insulated corporate interests within the national oil industry.

Implications and Further Research

A central finding in this thesis are the implicit power asymmetries between the state and its corporate partners in Jambian petropolitics. This asymmetry was formative for NIAM's corporate culture in the oil complex following two decades of negotiations. This culture consisted of kind of "carbon colonialism"; extraction of oil became strongly tied to the state's imperial identity. The regulatory risks of creating a national oil industry became reality for the Dutch state in Indonesia. These implications are the core argument for what I call the "Dutch petrostate". Not only did the Dutch state formalise a pre-existing relationship with its corporate oil partners, after WWII this relationship was brought back to the Netherlands when petroleum was extracted in Schoonebeek and Groningen.

The question arises whether these petropolitics can stand up to meet today's biggest challenges. The existential threat of human-induced climate change is exasperated by ongoing climate inaction. In Dutch petropolitics, where the boundaries between the corporate and the public sphere are artificial at best, business interests in the national oil industry will continue to define the course of action. Due to the state-corporate drive to profit from carbon energy, it is naive to think the Netherlands is going to wean itself off oil or even imagine a future without. In this thesis, I argue that the Dutch petrostate is a colonial relic that relies on extraction and profit, for which it is willing to deploy undemocratic methods of rule.

Further research into the Dutch petrostate should examine how colonial practices in Indonesia travelled back to the Netherlands. Literature on NOCs tends to overlook the Dutch oil industry. In this thesis, I argued that the reason for this is that the current energy market in the Netherlands is neither fully public nor private. Since NIAM was subjectable to the same risks as fully nationalised oil industries, the scope of academic research should include the Dutch model of petroleum extraction. The success of this model relies on blurring the boundaries between public and private. The resulting form of corporate sovereignty leads to significant dangers that lie in wait. Research should map these implications and discuss more equitable alternatives.

Finally, Jambi's oil history has demonstrated that the Dutch state and Royal Dutch were never really each other's trueborn competitors; there was simply too much mutual reliance. This public-private relationship became formalised with the creation NIAM. The relationship, however, turned increasingly sour over the years; the Dutch state has taken bullets for its partner in crime. The relationship between petrostates and national oil industries is often complicated and varying. It is dangerous to see the corporate oil industry as a strictly separated sphere from political life. Studying the history of oil's public-private entanglements remains crucial to understand how a petrostate disguises itself in plain sight.

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First attempt to exploit oil in Jambi blocked by parliament 1915
NKPM founded by Standard Oil in Indonesia 1912
Dordtsche Petroleum Company acquired by Royal Dutch 1911
Moesi Ilir acquired by Royal Dutch 1906
Royal Dutch Petroleum Company is founded 1890
Muara Enim acquired by Royal Dutch 1904
NIAM starts exploiting the Jambian oil fields 1923
Aeilko Zijlker starts commercially drilling for oil in Sumatra 1885
SUMPAL acquired by Royal Dutch 1902
NIAM is founded after parliament passes legislation 1921
1875
1880
1885
1890
1895
1900
1905
1910
1915
1920
1925
1930
Jambian oil fields closed for state exploration 1904
Diplomatic conflict with US over Jambian oil starts 1920
First Dutch resident in Jambi after military campaigns 1906
Royal Dutch Petroleum Company merges with The "Shell" Transport and Trading Company. BPM, a subsidiary, now exploits the Indonesian concessions 1907
Jambian Petroleum Company blocked by parliament 1917