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Interview: Oei Tjong Ie

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Interviewer: Yoshihara Kunio

A Brief Profile of Oei Tjong Ie

Oei Tjong Ie was born in Semarang in 1918 as the eldest son of Ho Kiem Hoa Nio (or Lucy Ho), the seventh wife of Oei Tiong Ham. After receiving primary education in Semarang, he went to the Netherlands for secondary and university education. In 1940 he returned to Indonesia, and began working for Kian Gwan. In the early postwar years, he worked for Kian Gwan in Shanghai and in Bangkok. For the past few decades he has been heading Kian Gwan in Singapore. After the death of his brother, Tjong Hauw, in 1950, he served as chairman of Oei Tiong Ham Concern. He is also a founder of Malayan Banking Berhad and served as chairman in its first several years.

Interview

1. Personal Background

Mr. Oei, can you tell me first who you are and how you are related to Oei Tiong Ham?

My name is Oei Tjong Ie. I was born in Semarang in Indonesia on January 9, 1918, which makes me 69 years old by European count and 70 by Asian count. I am the eldest son of one of my father's wives. As you may know, my father was a polygamist. My mother was the second to the last wife my father married, and I am the eldest son of that mother, but in the total number of Oei Tiong Ham's sons, I am the tenth son.

Could you tell me a little about your educational background?

I went to a primary school in what was then the Netherlands Indies, and then went to what was called in the Dutch system a *middelbare* school, which was a middle school. A middle school was a school which gave you entrance to a university. At the middle school called HBS, it usually took five years for science students to finish. For arts students who had to study languages like Latin and Greek, it took six to seven years to finish. I was an arts student, and after finishing the middle school, I joined the Dutch Law University in Leiden, and a few years later, passed an intermediate examination for the Dutch equivalent of L.L.B. In 1940, when I had another six months to complete my law study, I went back to Indonesia to be properly installed as one of the shareholders of Oei Tiong Ham Concern, since I had come of age. But the subsequent

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German invasion of Holland followed by the Japanese invasion of Java forced me to stay behind, and I joined the import department of Kian Gwan as a trainee salesman in the provision & drinks division.

Can you talk a little bit about your brothers and sisters and the different wives of your father?

I remember the wife of my father who was the mother of Tjong Hauw. She was a quiet, nice lady who was not at all disagreeable to me, being a son of another wife, and I know that she even received my mother quite well and was very friendly to her. In an early postwar year, she left Indonesia for New York with two sons when they decided to live there. I think she must have been miserable there, living in a strange, American environment. I met her there once. She always stayed on the first floor in their house; I believe she never left it, and finally died there.

Another wife I know is the wife my father took after my mother. She had only one daughter. She was also a very nice lady. I used to go to her house. She served me with all sorts of food.

This was in Semarang, wasn't it?

Yes, it was in Semarang. The rest of my father's wives, I don't know personally.

You have a sister called Hui Lan, don't you?

Yes. She is Mrs. Wellington Koo. She is the second daughter of my father's first wife. She is the one who writes all those saucy

stories about my father being poisoned by my mother and you know all these mosquito articles. She must be still alive—if she is, she must be well over 90.

She was never involved in business, was she?

No. She was a very autocratic lady. I remember I saw her in Shanghai in 1946 for the first time. She was living there, and she was very close to the American ambassador's wife. She had always lived in diplomatic circles. She sort of summoned me to the American embassy, and asked me about my personal life. When she found out that I had a Dutch wife, she told me to get rid of her because I am Chinese, and also get rid of my Dutch passport and get instead a Chinese passport. She tried to tell me how to run my life. But I explained to her, "Look, my dear sister, I respect you because you are my elder sister, but I am a rather independent type of person. So, please let me live my life in the way I like, and you live in the way you like."

Did she have a brother?

No, her mother had only two daughters. The other daughter, I never met in my life. I hear that she married a high-ranking Kuomintang official. She must be no longer alive.

Did your father take a wife in Singapore?

No. When he came to Singapore, I think I was about three to four years old. I was born in Indonesia and went to Singapore with my father. To the best of my knowledge or my mother's, my father did not have another

wife in Singapore.

So, did your mother come to Singapore, and was she the only wife living in Singapore?

Yes. The old man was settling down, you see. My mother was an overseas Chinese born in the Netherlands Indies, and compared with my father's other wives, she was well educated—Western-educated. I know, for instance, in the later years of his life, my mother helped him a lot in his business, especially in dealing with Dutch-speaking people. I think she was also useful to my father in Singapore.

You said the first wife had two daughters. And the second wife?

The second wife had one daughter. The third wife had many children. I think she was the wife who had most children. She had five sons (Tjong Tee, Tjong Swan, Tjong Tiong, Tjong Yoe, and Tjong Liam) and a few daughters. The fifth wife, the mother of Tjong Hauw, had four sons and one daughter. Altogether, my father had eight or nine wives. My mother was the second to the last. But the last one was not kept for long. Maybe, my mother protested to my father.

Did all wives live in Semarang except your mother who went to Singapore with your father?

Yes.

Did your mother tell you what sort of house your father had in Semarang?

We had a huge house. It was situated at the beginning of Tjandi. Tjandi is a hilly area. It was in the outskirts of the downtown. It was called Gergadjie. That was a big house. If I remember correctly, there were sixteen to eighteen rooms in it. It had a main building, and two pavilions on its sides. A lot of the unmarried children of my father lived there. This was like a compound. There was one large dining hall. When a gong sounded, everyone went to eat. It was quite a walk from where we lived. That house also had a big garden. It was a little like the Tiger Balm Gardens in Singapore. On Sundays and public holidays, it was open to the public. It was made a bit in the style of a Japanese garden. There were ponds with fish and rocks where you could go up and down. There were also cages. I hear my father once kept tigers, but in my time, there were no more tigers. Instead, we had a lot of deer and horses.

Did your father's wives stay in the same compound?

No, they stayed separately. My mother stayed with my father in the big house, but the other wives stayed in other houses. My grandfather, I am told, who lived in Penggiling near the family cemetery, kept two to three wives in the same house.

2. Oei Tiong Ham's Business Method

Did your father speak English?

No.

Did he speak Dutch?

No.

In your half-sister Hui Lan's memoirs, she says your father went with her to the residence of the Governor of Singapore for dinner one day. Is it possible that although he did not speak Dutch or English, he understood them? And did he speak Malay or Javanese?

I doubt he had some understanding of Dutch or English. If he went to the residence of the Governor of Singapore for dinner with Hui Lan, he must have depended on her to interpret. He had a smattering of Malay but he did not speak Javanese.

Who did negotiations with the Netherlands Indies government?

He had professional people to do that. My father's strong point was that he was not afraid of delegating authority and had a knack for finding the right people. Sometimes, a successful businessman need not be very clever himself, but he must have a gift for choosing the right people.

But that is difficult for a Chinese businessman. Eu Tong Sen and Loke Yew of Malaya, for example, found delegation of power difficult. How did your father overcome this? One time, I was looking into the histories of OCBC and Lee Rubber. The success of Lee Kong Chian, who founded Lee Rubber and was a major shareholder of OCBC, can be explained by the fact that he

built up a professional management team. But in his case, he was influenced by Western management because he studied English and read English books on management. But your father did not speak English or Dutch. How did he find out about the importance of delegation of power in business?

I think he looked around.

Modern companies in Indonesia at that time were almost all Dutch.

Yes. He saw that they were running better than his business, and looked into why. He learned about their business system and introduced some of their management practices.

He did not have Dutch friends, because he did not speak Dutch.

No, he did not mix with Dutchmen. I don't remember ever seeing any Dutchmen coming to our family, and my mother told me that he was never close to any European.

3. Line of Succession

Your father moved to Singapore towards the end of his life, didn't he?

Yes, he did, because he had trouble with Dutch tax authorities. Dutch taxation was, I think, one of the harshest in the world.

Could you tell me under what circumstance your father died? Was the death expected, or was it sudden?

I would say that he died suddenly. Nobody expected him to die so quickly. He was 57 when he died, and he had no alarming symptom of illness which would explain such a sudden passing. As I told you, I was very young at that time. I only remember it vaguely and know what my mother told me later. He died of a heart attack, which I think is very possible because our family is known to suffer from a bad heart condition.

Including yourself?

No. I am an exception. I have a perfect heart condition. But all my other brothers died of a heart attack at quite young ages.

Could you tell me the line of succession in Oei Tjong Ham Concern after your father died?

After Oei Tjong Ham died, the eldest son, Oei Tjong Swan, became the head of the Concern. But he did not stay long, and sold his shares to his brothers. He was succeeded by my other elder half-brother, Oei Tjong Hauw.

How many years did Oei Tjong Hauw head the Concern?

He took over when I was nine years old.

Was it around 1927?

Yes. And he continued to head the concern until 1950, when he died suddenly. He died at the young age of 47.

Did he die by accident?

No, he died of a heart attack.

It was sudden, wasn't it?

Yes. It was very sudden.

Who took over after his death?

After he died, for some years, that is, two to three years, Oei Tjong Ham Concern was run by a team consisting of his brothers and professional managers. They were Tan Tek Peng, one of the most senior directors; Dr. Djie Ting Ham, who was in charge of the sugar factories; Dr. Djie Ting Liat, who was a chartered accountant and the financial director of the Oei Tjong Ham Concern; and the three younger brothers of Oei Tjong Hauw's—Oei Tjong Tjiat, Oei Tjong Yan, and Oei Tjong Ik. Then, after several meetings, they decided that I should take over because the chief executive officer of Oei Tjong Ham Concern had to travel, but none of Oei Tjong Hauw's brothers was prepared to travel. So, because of that and because I was all-round in the company and more extrovert, I was considered to be a suitable successor. And the title of "president director" was changed to "chairman of the board." This was decided at a meeting which we held in Amsterdam.

Were you heading the group in 1961 when the Indonesian government decided to confiscate your family interests in Indonesia?

Yes. I was heading the group as such, but its Indonesian operation was headed by my youngest brother, Oei Tjong Tjay, who was living in Indonesia. This was necessary for

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political reasons, but the impression was mistakenly created at that time that Tjong Tjay was heading the whole group. However, for political expediency, because of our difficult and vulnerable position in Indonesia, we never contradicted the impression.

4. Oei Tjong Ham Concern around 1940

Could you tell me about Kian Gwan around the year 1940? Especially about how big it was and what were its major activities at that time.

The major operations of Kian Gwan... Oh, you have to remember that it was a department of Oei Tjong Ham Concern, Kian Gwan being the trading arm of Oei Tjong Ham Concern.

Then, could you tell me about the major activities of Oei Tjong Ham Concern?

The principal activity was sugar milling. We had at that time five sugar mills, if I remember correctly. They were located in a place outside Semarang, called Pakkies; near Madiun; in Tanggoelangin; in Ponen; in Kreet, near Malang; and in Redjoagoeng.

In Kreet, did you have a tapioca factory?

Yes. There were a sugar factory and a tapioca factory there.

Besides sugar, was Oei Tjong Ham Concern involved in shipping and banking at that time?

Correct. We had a small banking department called "Bank Vereeniging Oei Tjong Ham." In Dutch, "vereeniging" means association. So, Bank Vereeniging Oei Tjong Ham could be translated as the "Bank Association of Oei Tjong Ham."

How about shipping?

The shipping company was called "Heap Eng Moh Steamship Co."

Was it based in Semarang?

It was based in Semarang as well as in Singapore. I do not remember whether its ships were sailing under the British or Dutch flag. It might have been under the British flag.

When you joined Oei Tjong Ham Concern, did you feel that it had grown larger since Oei Tjong Ham died, or did you feel that it had become smaller?

I cannot say that it had become bigger, but I can say that it had become better consolidated. My father laid the foundation for the large trading and industrial organization, which was run very much under the Western system of accounting and engineering. And I think that after my father's death, the successors, Oei Tjong Hauw and Oei Tjong Swan, both of whom were my elder half-brothers, carried out further modernization.

Where was the head office of Oei Tjong Ham Concern located in the prewar period?

In Semarang.

Along the coast there?

No, it was downtown. A large two-storey building was its headquarters. It was an impressive building. It was built by a famous architect in Semarang at that time. His name was Liem Bwan Tjie. It was impressive because it was full of marble.

Was it built in a Chinese style?

No, it was built more in an Italian style. The marble was Italian marble. A director's room was impressive; it had a thick carpet, a heavy curtain, and a teak panelling.

When you joined the company in 1940, how many people were working there?

In Semarang or in Oei Tiong Ham Concern as a whole?

In the headquarters in Semarang.

Not that many. Roughly, it was no more than 100 to 120.

In Oei Tiong Ham Concern as a whole?

Including those at the sugar mills and others, it must have been a few thousands.

What do you remember about the Kreet tapioca factory?

It was a big, modern factory. I remember we were very proud of the factory. It was very

famous for an excellent laboratory. Tapioca was used to make a glue needed for aircraft wings. This factory was so modern that it was visited by many managers of the factories of Dutch financial combines. They were shown around by the manager of the Kreet factory. He was a big Dutchman. He did not have a moustache, but was an impressive-looking European. I remember his name was Tacoma. I knew him well. As a young executive, I used to spend weekends at the tapioca estate which was combined with a sugar factory. We used to go hunting. Tacoma was a well-known hunter. We went for wild boar shooting. We walked miles and miles in the field.

Was he an engineer?

No, he was not an engineer. He was a non-technical man; I think he was a well-qualified planter. The engineer of that particular factory was a Chinese named Yap Kie Ling. There were two Yap brothers. Both were engineers. They were graduates of Delft. It was the engineering university of Holland at that time.

How many Dutch were employed at the Kreet factory? Was Tacoma the only one?

No, he was not the only one. I did not pay much attention to it, but since there were a few Europeans in the laboratory, my guess is that six or seven Europeans were working there.

You said that there were five sugar mills. Did you employ Dutchmen there also?

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Yes. The manager of a sugar mill in our group was called in Dutch *administrateur*, whose English equivalent is “administrator.” That is because the manager was Dutch. To the best of my knowledge, all managers of my father’s factories were Dutch.

They were not necessarily engineers.

Not necessarily.

Were the chief engineers of your factory mostly European?

No, we had some senior Chinese engineers, like the Yap brothers I mentioned earlier.

Roughly then, were half the chief engineers European and half Chinese?

In my time, the two top engineers were Chinese, not European.

Were they exceptions, or were there other Chinese engineers?

At that time, there were other Chinese engineers. I remember a lot of these engineers were formerly ship engineers. I don’t know whether this was a coincidence. Many of our engineers used to work in the engine room of a ship.

Maybe, the same kind of engine was used both in ships and factories.

Maybe the same kind of engine, come to think of it.

Many Chinese were engaged in coastal shipping at that time, so there must have been a number of Chinese who were familiar with engines.

I definitely remember many of our engineers, even senior chief engineers, were Chinese, not European.

Did you employ around 1940 any Chinese university graduates who were not engineers?

Yes, I told you about Dr. Djie Ting Ham and Dr. Djie Ting Liat. They were both Dutch university graduates.

Did they start working under Tjong Hauw?

Yes. Then we had Dutch-trained, Chinese chartered accountants.

Going back to your Dutch employees. How were they supervised? Take the case of Tacoma, whom you mentioned earlier. Who was in charge of him and evaluated his performance? Was this done by Oei Tjong Hauw, or by someone outside the family who was in charge of personnel for the operation of Oei Tjong Ham Concern as a whole?

I believe Tacoma was directly answerable to Yap Kie Ling and Djie Ting Ham, who were in charge of sugar mills and stationed in the head office in Semarang. All the senior directors in turn were answerable to the top man and that man was my half-brother Oei Tjong Hauw.

5. Dutch Language and Cultural Influence

At that time, were the documents you submitted to the government in Dutch?

Yes, the official language used in the office was Dutch. Not Indonesian or English, but Dutch.

Did you speak to your brothers in Bahasa Indonesia, Dutch or a Chinese dialect?

We spoke in Dutch. I don't think any of my brothers could speak Chinese. Tjong Hauw claimed that he could speak Chinese, but I never conversed with him in Chinese, so I cannot judge the standard of his Chinese. But later I heard that his standard was not high, and some people said that I spoke Chinese better than he did. I learned Chinese mostly during my detention in prison and later in Shanghai.

So, by 1940, can we say that Oei Tjong Ham Concern had become a "Dutch-oriented" company?

Yes, if you mean by that the atmosphere, management system, and organization. We were very much Dutch-based at that time.

Wasn't it a bit unusual to become like that for a Chinese-owned company?

Yes. Other large Chinese companies were not like that. I remember another Chinese company which was handling food and drinks. It was considered one of the largest companies.

The name of the company was Lauw Tjin. That company was not so Dutch oriented as we were. I knew the manager of the company. He was not Dutch-speaking. He was Chinese-educated in Indonesia.

What did the company do?

Lauw Tjin?

Yes.

They were an importer. They handled, for example, foodstuff and household electric appliances. I remember they handled "Kelvinator" air conditioners and refrigerators.

Did the Chinese community in Semarang consider your family a little strange, since you were speaking to each other in Dutch instead of Chinese?

I don't think that they considered us strange. In a small town like Semarang, we were so well-known that wherever we went, people recognized us and paid us respect. We were big shots. I could speak Indonesian, so most of the Chinese I knew spoke to me in Indonesian. I remember the grandparents on my mother's side, who were not Dutch speaking, spoke to me in Indonesian.

At that time, business in the Chinese community was done in Chinese, I suppose. How did you get around this problem?

Yes, to a great extent, business was done in Chinese, especially in the *pasar*, or market.

They often spoke in Hokkien.

How did you deal with the merchants in the *pasar* if you did not speak Chinese?

I could speak simple Chinese, but we had many salesmen who were fluent in Chinese. The importing department of Kian Gwan was selling its goods directly to Chinese shops. We were the importer of, for example, Dr. West toothbrushes, West clocks and alarm clocks, Solingen knives from Germany, General Milk products from the USA, canned abalone and other sea foods from Japan, and American canned foods like Del Monte. These goods were sold to shops in the market by our Chinese salesmen who were either Indonesian-speaking or Hokkien-speaking. But in the industrial division, we had little contact with the market, because we mainly dealt with estates where the managers were Dutch-speaking. And in our sugar sales division, negotiations were mostly with offices abroad, and here again Chinese was of little use.

Going back to your family. Since you did not speak Chinese, am I correct in saying that you did not get much involved in the affairs of the Chinese community directly?

Are you talking about my elder half-brothers or my own brothers?

Both.

My elder half-brothers were of a type who came to the office and never left it. They never came into contact with the public.

How about Tjong Hauw?

Except Tjong Hauw.

Was Tjong Hauw very much involved in the Chinese business community affairs?

No. He went to the economic ministries of the Netherlands Indies government, went to banks...

So, you were not the leader of the Chinese community. Is this correct?

In a way, it is correct. Socially we were not the leader of the Chinese community, since we were not Chinese-oriented. But since we had money and influence, we occupied an important position in the community.

After independence, did you still speak to each other in Dutch, or did you make an effort to use Bahasa Indonesia in board meetings, management conferences, and other important meetings?

When outsiders were involved and they were super-nationalistic, efforts were made to speak in Indonesian. But many Indonesians spoke Dutch, and when they were involved, there was no problem in speaking in Dutch. Many commercial terms were Dutch, and it was difficult to express yourself in Indonesian when you were dealing with business matters. Maybe now, since so many words have been added to the Indonesian vocabulary, it is not too difficult to discuss business in Indonesian, but not at that time.

In order to talk to civilian and military authorities, it must have been important to be good at Indonesian.

Yes and no. A lot of military leaders even came from the Dutch education stream and spoke Dutch. Once they knew you, they often lapsed into Dutch.

6. Pacific War

How did the Pacific War affect Oei Tiong Ham Concern? Did it stop operation during the war?

No. As far as Indonesia was concerned, the mills continued to produce sugar under Japanese supervision. In Java at that time, the Japanese Army set up an administration called "Gunseikanbu," and we operated under their supervision.

During the war, were some of your family members or professional managers imprisoned or harmed by the Japanese Army?

To the best of my knowledge, the only person imprisoned was myself. None of my brothers and our staff was ever imprisoned. But for some time, all of our offices and godowns were sealed. And only after the appearance of certain Gunseikanbu officers were they opened again, and we resumed business activities and tried to do our best under the circumstances.

Many rich Chinese had to pay contributions to the Japanese military government, and a lot of ill feeling was created by this, for example, in Malaya. Did this happen in Indonesia, in par-

ticular to your family?

Yes, I think it affected our family. We were compelled to supply a lot of goods to the Japanese Army, like leather. We had a leather stock in Surabaya. But I must say that the Japanese Army was fair. We were paid what I considered correct prices. When I was sentenced to death by Gunritsu Kaigi (a Japanese court-martial), my brother saved my life. He was branded later by the Dutch as a collaborator, but I think this was unfair, because any Chinese businessman had to collaborate with the Japanese. He had to give parties to Japanese authorities, and appear on the front page of newspapers, pledging loyalty to the Emperor. These things have to be judged under the circumstances. Being a member of the War Crimes Commission after the war, I expressed my opinion strongly about this, especially when they came to attack my brother. I don't know whether he liked the Japanese or he believed in the Japanese military expansion scheme, because I never asked him about these, but I feel he had no choice but to act in the way he did. Because he had good contacts with Japanese military authorities during the war, he could exert strong influence on the Japanese, which I believe saved my life. While he appealed to the Japanese Command to spare my life, he donated to the Japanese Navy the check which he had received as the payment for the sugar they had taken from our godowns in Surabaya. The check amounted to about 1.5 million guilders. The Japanese made a propaganda out of this donation. This money, in fact, bought my life. On the day of my execution, I was told that my sentence was com-

mutated to imprisonment for 15 years, of which I spent two-and-half years in prison, until the Japanese surrender. So, after the war, I was in a difficult position. On the one hand, I was the leader of the younger group trying to gain control of our family business. On the other, the elder brother had been my protector.

7. Postwar Evolution

Many Chinese big businessmen in the late 1930s were seriously affected by the Pacific War, but after the war ended, many of them recovered and did well thereafter. In the case of Oei Tjong Ham Concern, if you take 1950 as a reference point, how did the company compare with 1930. Did it become smaller or bigger?

I would say that it became smaller.

Why was this?

First of all, the very difficult political situation in Indonesia after the war. Our major operation was concentrated in Indonesia, and the deteriorating economic situation there affected our overseas branches. And the board of directors did not have any clear-cut policy. There was political in-fighting among several board members, and there was no strong member of the family who could take charge in Indonesia. I say this with certain reservation, but I believe that it is basically correct, for their choice in 1950 of one of our youngest brothers to head our Indonesian operation was not very fortunate. He was too young, although he was a university graduate—he had a master's degree in economics from a

university in New York. He was not familiar with the condition in Indonesia. He did not speak Indonesian. He was not aware of the profound change in the mentality of Indonesian officials. He approached the running of the company very much with the colonial attitude which prevailed before the war. It was not entirely his fault. Most of the directors had the same mental attitude. I was in Indonesia at the time the Japanese made the Indonesians become aware of the possibility of attaining independence, and having had many Indonesian friends with whom I spoke very freely—I was fluent in Indonesian, I understood better the profound change in Indonesian mentality. But most of the board directors did not realize this, and continued to run the company on the old colonial basis, so we were not very successful in the postwar years.

What happened to the five sugar mills you owned before the war?

Of the five, only two were working at full capacity around 1950. They were the factories at Redjoagoeng near Madiun and Kreet in East Java. The others were inhibited—they were laid up; the machinery was preserved but not used.

Did Oei Tjong Ham Concern own sugar plantations before the war?

No. The system was such that we owned sugar factories, but we did not own plantations.

A few years after 1950, when you became

chairman of the board of Oei Tiong Ham Concern, what was its major activity? Was it sugar milling or general trading?

I think sugar had become less and less important, since the land on which sugar was grown was not owned by us but by Indonesians and we could not force them to plant sugar cane. What happened was they found other crops more profitable and grew less and less sugar cane. So, the importance of the sugar business declined, and we were very much engaged in assisting the Indonesian government in purchasing rice, mainly from Thailand and Burma. At that time, there was a Dutch company called "Internatio," which was an accredited rice purchaser for the Indonesian government. Since they were a pure Dutch company and we were more Asian, I remember they transferred the license to us. The man instrumental in obtaining this rice agency was my brother, Oei Tjong Hiong, of Kian Gwan, Bangkok, and its general manager, Tan Tjin Koan. We bought a very large quantity of rice for Java, which was very strange because Indonesia had been always self-supporting in rice and been exporting surplus rice. Rice remained a very important product for us until Indonesian groups, out of jealousy, managed to start all sorts of rumor that we bought the rice of poor quality at too high prices and tried their best to put a finger in the pie. I would say that it was because of these Indonesian groups' activities that a lot of bad feeling was created. It was they who bought rice of wrong quality at wrong prices.

In the 1950s under the Benteng program, the

Indonesian government began restricting foreign exchanges. Did this affect your trading activity?

Yes, of course. Because you could not open letters of credit and could not obtain foreign exchanges. If you exported, you had to surrender the foreign exchange earnings and were repaid in local currency at very unrealistic rates. If you look at Indonesia now, there is no black market against the official rate because it is a more or less realistic rate, but before, the discrepancy was ludicrous; nobody was prepared to work at the official rate.

In other words, the business environment for the Oei Tiong Ham group changed greatly after the Pacific War. Sugar production declined, so there was less business for sugar milling, and trading was in difficulties because trading, especially import trading, became restricted. Does this mean that the group declined over time in the 1950s?

Yes, I would definitely say so.

How did you get to the Singapore office? Was this your first overseas assignment?

No, I went to our Shanghai office first. Then, when the Communist Revolution came, the office was closed, and Tjong Hauw transferred me to Singapore. Unlike other brothers, I took orders from Tjong Hauw, because I believed that it was necessary for a business organization. In my short career with Kian Gwan, I moved to many places. I worked in Semarang, Surabaya, Shanghai, Hong Kong,

Bangkok, and Singapore.

In the prewar period, did both the Semarang and Surabaya offices handle sugar, or was it only the Surabaya office which handled sugar?

Both did. For example, the Krevet sugar factory sent sugar to the Surabaya office, and the Redjoagoeng factory sent sugar to the Semarang office.

In the prewar period, Semarang was a small city compared with Surabaya. Ocean-going ships had to stay offshore since the port was not deep enough and there were no loading and unloading facilities. On the other hand, Surabaya was the major port and the center of economic activity at that time. And after the war, Jakarta became the major city. Didn't you feel that it was better to move out of Semarang?

In the prewar period, we kept our headquarters at Semarang because it was where our father did business. But after the war, although nominally our headquarters was in Semarang, the Jakarta office became de facto our headquarters. Tjong Tjay, who was the chief executive officer for about a decade before the confiscation, lived in Jakarta.

What happened to your bank after the Pacific War?

Oei Tjong Hauw phased it out after the Pacific War. It had been inactive anyway. I don't think it had done any actual commercial banking. It had been acting as a sort of bank for the group.

Why did he decide to phase it out? You say it was not much of a bank, but he could have expanded it and made it a full-fledged commercial bank.

Yes, the idea was good. But the trouble with the bank in the prewar period was that he put one of his younger brothers in charge. The younger brother, who was a very nice person and with whose family (his wife and daughters) I was very friendly, did not have any business capability. He just sat in the bank and did nothing. If he had been a dynamic person, we would have had a bank which could become a leading financial institution in the postwar period.

What happened to the shipping company?

We sold our shares in Heap Eng Moh Steamship Co. We sold them to the Dutch shipping company, Koninklijke Paketvaart Maatschappij, or KPM for short.

Did you sell your shares before the Pacific War?

No, after the war. I think it was in the mid-1950s, a little before KPM was nationalized by the Indonesian government. The nationalization was a stupid move on the part of the Indonesian government. The whole insurance world turned against them.

What happened to your alcohol distillery in Shanghai?

I was in Shanghai two years ago. I did not go to the factory. But I hear they are using it as

a godown.

Was it confiscated when the Communists came to power or was it sold before that?

It was confiscated in 1948 or 1949. After so many years, they decided to pay us a compensation. I think the amount was about 1.5 million Chinese dollars. When my brother started the distillery in the 1930s, our investment in it was 4 million US dollars, so the compensation was entirely disproportionate.

Did you say 1.5 million Chinese dollars? Which was equivalent to . . . ?

At that time, one Singapore dollar was equivalent to one Chinese dollar.

Then, since it was about two Singapore dollars to one US dollar, the compensation was about 750 thousand US dollars, wasn't it?

Yes.

Summing up the postwar development of Oei Tiong Ham Concern, can we say that it definitely declined and that the decline was partly due to the change in business environment after independence and partly due to the ownership structure which prevented any one person from taking an effective control of the group. Is this correct?

Yes, it is correct. About the problem of ownership structure, every director had the same share and authority, so nobody was effectively in charge. Somebody could be in charge in name but not effectively.

8. Importance of the Military

After independence, did you feel that it became important for businessmen to establish close contacts with the military?

Yes. It was more important to establish contacts with military authorities than with civilian authorities.

Why?

Well, I think if you look around even now in Indonesia and look at countries like Thailand and Burma, you'll see that those societies are very much controlled by the military. With right contacts, Chinese companies can survive and do well. As a Chinese company or individual, we are fair game. You see, we have no strong country that stands behind us and protects us, like, for instance, the Japanese. The Japanese have Japan behind them. Also, the English people once had the great navy to protect them. And the Americans, you see, find American citizenship as a strong protective influence. But the overseas Chinese all over the world have no such things. They have to roll with the blows and survive through their own wits. In this particular country, I think, all the Chinese who have done well have done well because of right contacts. Right contacts may involve some civilian authorities, but the majority of important contacts always involved military authorities.

Even during the Sukarno period?

Yes. It was of no use to know the minister

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who studied in Europe and with whom you could speak in Dutch if your factory was in the rural area, for he could not protect you when you needed help.

Are you saying that connections with the military were more important because they offered security?

Yes. They could provide security, and also help us directly in doing business. For example, in the purchasing of rice and other materials, somehow we found that this was mostly in the hands of military authorities, or they were connected with such activity.

I want to ask you about the role of the military in the smuggling trade in Indonesia during the Sukarno period. Did you have to deal with them at that time from Singapore?

I bought a lot of copra from Sulawesi. I did a lot of dealing with Colonel Sumual who rebelled against Sukarno. I offered him to be his representative in Singapore. So, a young Indonesian lieutenant came here. I helped him to charter a ship to get copra from various places in Sulawesi, such as Manado. We sold the copra to Germany.

Inside Sulawesi, did Colonel Sumual have agents?

They were Chinese middlemen. His army saw to it that the copra they collected would not be stopped anywhere and be smoothly transported for export. At that time, without any help from the military, you could not do anything in Indonesia. I did a very good

business with Colonel Sumual's group.

Did you have a similar arrangement in rubber?

No, only copra. I bought some rubber from Chinese smugglers in Sumatra, but this was not very safe. I had to advance money to buy rubber and send a ship to transport it, but the ship might get confiscated. It was risky. I know some people here who got their ships confiscated two or three times, and went bankrupt.

9. Anti-Chinese Sentiment

Did your family, being a leader of the Chinese community, do anything about the rise of anti-Chinese feeling in the 1950s?

I cannot say truthfully that we made any effort.

I am sure the Chinese community was worried about the rise of anti-Chinese feeling in post-independence Indonesia. Since Kian Gwan was the largest Chinese business organization, the Chinese community, I suppose, expected you to play a leadership role.

They may have thought that because of our strong financial and economic position, we could lead them in the effort to change the tide. But whether that was really so or not, I cannot say. I don't think we can claim that we were so patriotic or so worried about the Chinese community that we made conscious efforts to stem the anti-Chinese sentiment.

When the anti-Chinese sentiment was rising

in the 1950s, did you make special efforts to expand overseas operation and reduce the relative importance of the Indonesian operation?

When Tjong Hauw was still alive, I often pointed out to him that we should not put all eggs in one basket. But he always replied to me that he had not done that, by citing our investments in Shanghai (where we had a modern distillery), Bangkok, Singapore, and New York. Of course, our investment in New York, as I will explain to you later, was made under a quite different circumstance and was not much of a business proposition. So, even Tjong Hauw was aware that we should not put all eggs in the Indonesian basket. But the point is we did not move fast enough in expanding our overseas operation. We should have moved out our assets much more than we did.

Why couldn't you move fast enough?

Because of a sort of complacency. We were strong in Indonesia. If we moved out to New York, except some rubber brokers, nobody knew us. If we went to Amsterdam, some Dutch brokers probably knew our name, but nobody else did. But in Indonesia, we were a big shot, and many people knew us. So, it was difficult to move out from the place we felt comfortable into a place where we had to start from almost nothing.

If you had had the determination to expand your overseas operation, what sort of business would you have gone into?

With the benefit of hindsight, we could say

that politically, the situation in Singapore, Malaysia, and Thailand was much better for us. We could have invested in these countries. Besides interests in business, we owned a lot of property, but we were unfortunately situated in the wrong country. If that property had been situated in those three countries I mentioned, we would be a very big property owner today.

At least, you could have gone into property development in Singapore, Thailand, and Hong Kong.

Yes, we could have done that. If we had, we would have done very well.

It was only your brother in Bangkok who went in this direction and has done well, wasn't it?

Yes.

Have you heard about the businessman named Robert Kuok?

Yes, I know him very well.

He seems to have moved his business operation to Hong Kong. He made his name in Malaysia, but when the business environment deteriorated under the New Economic Policy, he seems to have had the determination to shift his major business activities abroad.

Yes, but even in Malaysia, he still has a large interest.

But at the same time, he has a large business

interest in Hong Kong.

So I understand. I met Robert a number of times at parties, and one time, on a plane to Indonesia, asked him what he was doing. He was telling me that he was considering the establishment of a sugar refinery in Sumatra.

His business interests are geographically spread.

Yes, which we did not do in time. When we spread, we went into the wrong countries. We went to Shanghai, New York, and Amsterdam. New York was not a bad place to move to, but we did it without much preparation and determination to succeed. We went there not for business, but because two shareholders thought that Indonesia was uncomfortable to live in and chose to live in New York.

10. Confiscation

Could you tell me a little about events leading to the confiscation of Oei Tiong Ham Concern in 1961 by the Indonesian government? I suppose that it did not come suddenly, so there must have been hints coming from the Indonesian government.

The great difficulties we faced with the government might be considered as hints, but none of us really expected such a swift confiscation, which was, in my view, illegal.

Who do you think was behind the confiscation?

I would say generally that it was caused by fervent, super-nationalistic Indonesians, and it was masterminded by the public prosecutor Gunawan. I don't know Mr. Gunawan myself; I never met him.

Some people I talked to say that Gunawan could not have acted alone. They say that he was probably supported by Sukarno. Did you hear at that time there was something Kian Gwan did which angered Sukarno? For example, you told me that you were helping Sumual in smuggling out copra from Sulawesi. Isn't it possible that after his rebellion, Sukarno found out about your assistance and got mad at you or your company? Of course, for this to stick, we still have to explain the few years gap, between the rebellion and the confiscation, but I wonder if there were concrete steps Kian Gwan took which angered Sukarno.

I do not believe that Sukarno was behind the confiscation of Kian Gwan. I believe that it was Gunawan who was directly responsible for the confiscation of Kian Gwan. It is correct that I was helping Sumual in smuggling copra from Sulawesi but my participation in it was behind-the-scenes and under cover of Mr. A.P. Lim and Lt. Wantania, who were the officials fronting this operation in Singapore. The thing which triggered the confiscation was the court case which we started in Holland against the Indonesian government, in which we succeeded in liberating a blocked share portfolio which was held at the Javasche Bank. I also believe that Gunawan made use of the fact that not one of the Oei family remained behind in Indonesia to fight our case, and thus we were all convicted *in absentia*.

Do you know Gunawan's background? Why do you think that he persecuted your company?

He was once in Semarang as judge or government prosecutor. I think that like many of the new, modern Indonesians, he was anti-Chinese. And Kian Gwan being the symbol of Chinese business acumen in Indonesia, we were the natural target. On top of this our management and board of directors were weak because they were still thinking very much in terms of the old, prewar colonial scheme of things. They did not realize the very high nationalistic aspiration of Indonesians around them. They thought that they would go back to the old strong position they had held under the Dutch. They never thought of establishing close contacts with important Indonesian officials. The officials who counted at that time were military men, but our board always shied away from dealing with the military.

Then, would you say that your board did not adjust well to the changing business environment?

Yes. Most of the directors were no longer in line with the thinking required for that time. But somehow, I could not muster the support of most of the shareholders. I think this was due to the fact that they considered me too impatient and volatile a person. For instance, it was often held against me that during the Japanese occupation, I was arrested because of my outspoken sympathy for the Allied cause and my antagonism towards the behavior of the Japanese occupying

authorities. I got myself into all sorts of activity, which caused my arrest by the *kempeitai*. I think the shareholders at that time, who were my elder half-brothers and younger full brothers, were of the opinion that I was not sufficiently mature or cautious to head our Indonesian operation at the time when dealings with Indonesia were very volatile. It is difficult for me to say whether their view was right or wrong. I personally feel that if I had been in charge, the whole confiscation would not have come about, because I am convinced that I would have maintained the right connections with the military authorities and succeeded in coming into close contact with Sukarno, whom I had already met in 1945 and 1946.

If Kian Gwan had maintained such connections, it could have at least survived for another four years, until the change in government took place. Then, under the New Order, Kian Gwan would have been in a good position to expand again. Don't you think so?

I believe so. But only if we had changed the whole top management. If one looks around in Indonesia now, there are many Chinese, some of them are my friends, who were very small people then but very powerful now. All came up because of right connections.

So, if Kian Gwan had stayed on for another few years, it might have been able to establish the right connections with the government and been in a good position, especially because of more professional management, to take advantage of the expanding economy after 1965.

Yes, I personally believe so.

So, the confiscation was a deadly blow to the history of Kian Gwan, wasn't it?

Perhaps not "deadly," but certainly "severe." The confiscation was due to a bad reading of the situation and bad public relations on the part of the top board of Kian Gwan.

Let me go back to 1961 when Kian Gwan was confiscated. Where were you when that took place?

I was here in Singapore. I must say that nobody in Indonesia was prepared for it. I learned about it when I opened a morning paper.

What actions did you take then?

I did not take any actions. I knew from our previous discussions that my brothers were not very keen about my having much to do with our Indonesian operation because, as I explained to you, they thought I was too volatile a character to deal with the Indonesian situation.

But didn't your family have to do something about—maybe not so much about your Indonesian operation as Oei Tjong Ham Concern's assets outside Indonesia? Wasn't there some consultation in the family?

Yes, of course, after the confiscation, we had a meeting in Amsterdam.

Who came to the meeting besides you?

All the remaining brothers.

How many were left at that time?

Seven of us. I presided the meeting because I was chairman of the board. I expressed the view that I would try to keep whatever we had outside Indonesia out of the clutches of the Indonesian government, even at the risk of antagonizing them further. I was prepared to write off Indonesia completely, and would rather concentrate on expanding our offices outside.

Where were your overseas offices located at that time?

Let me tell you first about my two half-brothers, Tjong Yan and Tjong Ik of the Tjong Hauw group. They were very nice people, and I was always on cordial terms with them, but I disagreed with them on business matters. They never worked at any offices outside Semarang. They grew up there as school boys. After they finished their primary education, they went straight to the company and were immediately made executives. I don't think they did any useful work. A few years after the Pacific War, they felt that life in Indonesia was no longer pleasant, so the two of them, who had always been inseparable, sitting next to each other in the same office in Semarang, decided to go to New York to start an office there. They cleared this with Tjong Hauw, and he consulted me. I was very much against it, but again, you see, when two shareholders wanted something badly, they could have it. There was no need to set up an office in New

York, but it was not possible under our setup to prevent them from going ahead with the plan. Eventually they went there with about one million dollars. They immediately moved into an expensive place on Park Avenue. I don't begrudge all this. After all, they were multi-millionaires. But you cannot run a business like that. They had two expensive apartments, and had a chauffeur-driven car. You know how expensive these things are. So, the New York office was doomed from the very beginning. It could never survive.

In Europe, didn't you have an office in Amsterdam?

Yes, it was run by the number two brother in the Tjong Hauw group, Tjong Tjiat.

How was that office doing?

It was living by the grace of the Indonesian, Singapore, and Bangkok offices. The Amsterdam office approached European companies for which those Asian offices were acting as agents and charged 10 percent commission on whatever they shipped.

It was a sort of skimming operation, wasn't it?

Yes. Since I was managing the Singapore branch and suffered from this arrangement, I protested vehemently, and I finally got it cancelled, but it took years.

So, were the paying overseas offices around 1960 only in Singapore and Bangkok?

Yes. As you know, the right thing to do is to

choose a place where you need an office and appoint the right manager there, but in our case, we opened an office in a place where our shareholders wished to live. There was no feasibility study done beforehand, and there was no budget for the office. If a new office could not survive, financially strong offices like the one in Singapore were told to support it.

Didn't you have an office in Rio de Janeiro?

Yes, but it was not part of Kian Gwan. It was a property development company started by my brother Tjong Hiong. I believe he went there, in the first place, at the instigation of my late mother who did not like him to stay in Bangkok, and I also believe that he nurtured high hopes of having a successful independent career in South America. Not being a trading company, it was not affected by the confiscation.

Going back to the time of the Indonesian government's confiscation of Kian Gwan. Soon afterwards, you say your family got together in Amsterdam. You must have made a number of decisions then. What decisions did you make? What did you consult in the meeting?

We had to face the inevitability that the confiscation would bring a lot of trouble to our operation outside Indonesia. For instance, the Singapore office did a lot of rubber trading, and its rubber supply came from our offices in Sumatra. Now that our businesses there were confiscated, the Singapore office lost a physical back-up in rubber trading. So,

it had to go into speculative trading if it wanted to continue in rubber trading. So, the confiscation meant not only that we lost a greater part of our assets but also that our international operation was greatly affected. Our overseas offices did the bulk of the trading with our Indonesian offices, but with the confiscation, this became no longer possible.

Did the family then decide to split up the overseas assets?

Yes, eventually, but not right after the confiscation. After the confiscation, I looked for new businesses for the Singapore office. For example, I acquired a Fiat agency, and set up the first assembly plant in Johore Bahru where we assembled Fiat cars (which we distributed ourselves) and Mitsubishi cars for Cycle and Carriage. I also went into banking; I got involved in Malayan Banking Berhad. As you know, I had to find other business activities to replace our loss of the sugar and rubber business. At the same time, as expected, the Amsterdam and New York offices found that they could not sustain themselves. They were what I always called in our group "parasite offices." They were not there because they were necessary, but they were there, so we had to support them. I finally got tired of supporting those offices, and after discussing the matter with my sons, I decided that it was better for us to split. So, I offered to exchange my holding of my brothers' offices with their holding of the Singapore office. But since those offices were not making money and my holding did not amount to much, in this exchange, I had to pay a substan-

tial amount of money to pay for my brothers' holding of the Singapore office. To raise the money, I had to sell the Fiat business and some other assets I had here. In this way, my sons and I became the sole owner of Kian Gwan Singapore. This splitting-up was done within a few years after the confiscation.

After the nationalization of Dutch companies in Indonesia, didn't you get any inkling that the same fate might fall on Kian Gwan?

I had no inkling. Kian Gwan was an Indonesian company. After the war, we had to decide whether to keep our Dutch passports or trade them in for Indonesian passports. I was particularly requested by my brothers to surrender my passport, which I did very reluctantly, because I had been in the Dutch army and pro-Dutch. But it was explained to me that if the shareholders of Kian Gwan were not all Indonesian, it would not be considered a national company. So, I surrendered my passport. It was years later that I found out that my elder brothers who had advocated the surrender of our passports kept their Dutch passports. This upset me very much at that time.

Didn't all of your brothers become Indonesian citizens, at least nominally?

No. I surrendered my passport, and so did Tjong Hauw. Tjong Tjiat, Tjong Yan, and Tjong Ik told us that they had surrendered their passports, but they never did.

But isn't it possible that your brothers who did not surrender their Dutch passports

became Indonesian citizens? The Indonesian government, in order to consider your company Indonesian, must have asked its shareholders to submit their certificates of nationality. Since Kian Gwan became legally an Indonesian company, those brothers must have been Indonesian citizens.

It is possible. They may have had dual citizenship. This was not allowed, you know, either by Indonesian law or Dutch law. Maybe, some people got away with it. But I did really surrender my Dutch passport and took an Indonesian passport, which I later really regretted. After the confiscation, because of my criticism of the Indonesian government, the consul general of Indonesia here in Singapore refused to renew my passport, and so for many years, I lived as a stateless person.

Are you now a Singapore citizen?

Yes, I am a naturalized Singapore citizen.

So, you are saying that you were stateless before you became a Singapore citizen. But you were a permanent resident even then, were you not?

Yes. I was stateless, but was a permanent resident of Singapore. I'll tell you a bit more about how I became stateless. There was a well-known lieutenant general serving as the consul general of Indonesia in Singapore. He was always disagreeable to me. I went many times to see him to extend my Indonesian passport, and every time I was told, "Come back tomorrow." One day I walked into his

office. When he saw me, he asked, "What are you doing here? Did you come back to beg for a passport again?" I said, "No, I came to throw my old passport at your face. You can keep the bloody passport." I literally threw it at his face.

11. Oei Tjong Hauw and Oei Tjong Tjay

Could you tell me a little more about your half-brother Tjong Hauw? I hear he was a rather capable manager.

I think my brother's strong point was that he was a good politician. He was a very suave person; he was very likable. He was always impeccably dressed, compared with me; I have been always informal in dress. And I think he was a good public relations man. So, with the Dutch at that time, he was very useful as president director of Kian Gwan. As a businessman, I don't think he was anywhere near my late father's level.

How did he fit into Indonesia after the war? Did he, for example, speak Bahasa Indonesia?

Yes, he spoke it well. But he was not the type of man who could fit into the new situation.

So, even if he had lived for another 10 to 15 years, the confiscation would not have been avoided?

I don't know about that. He might have been able to prevent that, at least the head-on crash which my younger brother Tjong Tjay was

not able to. As I said, Tjong Hauw was a very diplomatic person. Tjong Tjay was too young. You cannot blame him too much. Right after graduating from college, he came back to the Indonesian turmoil, and one director exerted pernicious influence on him. His name is Tjoa Soe Tjong; I think he is still alive. You will find his name mentioned in Mr. Liem's book. Mr. Liem portrays him as one of the strong, capable directors of Kian Gwan. But I disagree with him on this completely. I consider him as the man who led us on the road to the confiscation. My demand to my brothers at that time was very clear. I said, "You are in a mess in Indonesia. I am the only one of the family who can handle this job. You give me Indonesia, but I want Tjoa Soe Tjong out. I want Tan Tek Peng retired, and Djie Ting Ham retired. I want to bring in my own team." Djie Ting Ham and Tan Tek Peng were timid and inept at dealing with aggressive Indonesians, whereas the most prominent of our directors at that time, Tjoa Soe Tjong, was capable but had divided loyalties.

12. Oei Tjong Ie in Singapore

When the nationalization came in Indonesia, did you have a substantial property in Singapore?

Yes, we did.

Was it not enough to rebuild Oei Tjong Ham Concern?

No. At that time, the property market in Singapore was still depressed, and our property was not enough. At that time, with the prop-

erty which is worth a few million dollars today, you could raise only a small amount of money—maybe only a tenth of what can be raised now.

I give you one example. Around 1954, I built the residential area called "Oei Tjong Ham Park" in honor of my father. We sold the cheapest type of bungalow for 35,000 Singapore dollars. About five years ago, after the property boom, such a house was selling for one million Singapore dollars. Now, even with property prices down, it sells for over 800 thousand Singapore dollars. I know this, because my Chinese wife sold one of the houses there I had given to her since she was getting older and did not have a child.

It is a fantastic increase in property prices, isn't it?

Yes.

In Singapore, is there any street named after your father?

No. The only place named after him is Oei Tjong Ham Park, which I built. In the National University of Singapore, there is a hall named after him, since he donated, I think, one hundred thousand Singapore dollars, which is equivalent to, I don't know, at least one or two million Singapore dollars today. And to St. Joseph Institution, I donated 36,000 Singapore dollars in honor of my father because they needed money for the modernization of a hall in a sports complex. The hall was named after my father. When they moved, they approached me for money again. I refused because they did not say

anything about the hall I had donated. The old building is just standing there; nobody is doing anything about it. I think that is neither fair nor courteous. But even here in Singapore, after so many years, my father's name is still well known.

When you came to Singapore, did you use mainly a Chinese or European bank?

I didn't deal with a Chinese bank much because I found its interests high, even at OCBC of which we were a substantial shareholder.

Why do you think that a Chinese bank charged higher interest rates? Since it must have had a lower overhead cost than a European bank, it was in a position to charge lower interest rates.

I haven't thought about it. At that time, a Chinese bank dealt more with real estates and gave loans against mortgage, and was not well equipped to deal with documentary business, such as the opening of letters of credit. I think this is why its rates of interest for such commercial transactions as commercial papers were higher. Now, I think, they are competitive.

In retrospect, do you think that you should have strengthened banking in the postwar period instead of phasing it out?

Yes. I think we should have gone into banking as I chose to do here. I was one of the founding members and founder chairman of Malayan Banking Corp. You know that it

became the number-one bank in Malaysia in a short time, which I am very proud of because that happened when I was chairman. I would have stayed in banking but for our unfortunate choice of Khoo Teck Puat as managing director. In the mid-1960s, he got us into trouble. He did to Malayan Banking Corp. what he would do later to the National Bank of Brunei. I did not lose money much, but went through months of vigorous interrogation. I came out clean. I stayed on the board until 1981. I was the only founding member who stayed on for so long a time. In 1981, I resigned of my own accord, for a very silly reason. The board had been getting bigger and bigger, and I was no longer chairman. And many of our directors were chain smokers, and I hated smoking. So, I finally told the chairman that I wanted to quit. Earlier, when I wanted to resign, he told me to stay on. He promised to control smoking during the meeting; he himself was a chain smoker. But finally I had to tell him that I wanted to resign. I was well over sixty years old, and wanted to keep my health. I could no longer stand smoking.

Why do you think that Mr. Khoo was unscrupulous in his business method?

Basically, he is a greedy man. He suffers from megalomania. He is not honest.

What is a little puzzling about him is why he had to be still unscrupulous even after he became a big businessman. It is easier to understand that he had to resort to an unscrupulous method in the initial phase, but there was no need to continue to do so.

That is right. Often, even a big crook can become respectable once he succeeds. Khoo also tried this, by making donations to charity. But he still owes a bank money. This time, he was not dealing with the Malaysian government; he was dealing with the sultan of Brunei.

In Malayan Banking Corp. was he managing director and were you chairman of the board?

Yes.

So, since he was managing the bank, you didn't know the day-to-day operation of the bank.

No, I did not know. The unfortunate thing was that a few of the assistant managing directors and general managers were helping him. So, it was not so difficult for him to manipulate matters.

The successful businessman today, Khoo Kay Peng of Malayan United Industries (MUI), used to work at Malayan Banking Corp., didn't he?

Yes, he was working for us. He was managing a branch in a small town; I think it was Segamat. I am a bit surprised because I never thought him to be an outstanding, clever man. Another of our executive staff is Teh Hong Piow of Public Bank. He was my foreign exchange manager.

Did he strike you as a bright man?

Yes, he was a bright man.

Was Teh Hong Piow a member of the Khoo Teck Puat team?

No, he was not. I have normal regards for Teh Hong Piow. I also have that for Khoo Kay Peng. He was one time on the board of Malayan Banking Corp.; he was vice-chairman of the bank because he was a political figure. The chairman and vice-chairman were the nominees of the Malaysian government. I was also a Malaysian government nominee, but I am not a Malaysian but a Singaporean.

Who were the major investors in Malayan Banking Corp. when it was formed? Were they mostly Singaporean?

No, there were a number of Malaysian Chinese investors. It was more Malaysian-owned than Singaporean-owned.

Was Khoo Teck Puat a Malaysian?

He was originally a Singaporean. He later became a Malaysian.

When the bank was set up, was he already a Malaysian?

He was still a Singaporean. A little after the bank was set up, the Malaysian government appointed him as a Senator. Because of this, they granted him citizenship, which would normally take ten to twelve years. In his case, because of the senatorship, he got citizenship in a short time.

If your partner had been a more honest

banker, do you think that you would have succeeded in reviving an Oei bank?

No, I don't think so. Malayan Banking was a completely different setup. Our family bank would not have grown as fast as Malayan Banking did. In the post-independence period, banking became a little political, and we would not have been too successful in the banking field. Malayan Banking's growth depended heavily on the backing of the Malaysian government, which a non-Malaysian-owned bank would find difficult to obtain.

I was more interested in a finance company while I was chairman of Malayan Banking. I was involved in the management of Malayan Finance Co. I was interested in this because at that time, I was a motorcar dealer. I needed a finance company to sell my cars. At one time, it was more profitable to sell cars on hire purchase than to sell cars in cash. I could make extra money in that way by charging interests to car buyers.

13. Kian Gwan Bangkok

Who owns the Bangkok office now?

It belongs to two of my brothers and one outsider. Not all have an equal share. I don't know the exact proportion.

What does the Bangkok office do now?

It is the Thai agent for NCR. It has had this agency for quite a long time—25 to 30 years. It was earlier involved in the auto business.

There is a big auto repair shop behind Kian

Gwan Building on Wireless Road in Bangkok.

Yes, but it is now let out to Toyota. Before, we were using it ourselves because we were Ford's agent. We were also the agent of a Japanese car company called Prince Motor, which was later absorbed by Nissan.

Then, has Kian Gwan in Bangkok been dealing in machinery, like office machines and autos?

Yes, but also it has been involved in real estate. It has a big piece of land on Wireless Road. There is a big office building there. You saw it, didn't you? We, rather my brothers, are building a second building.

Did your brothers have that piece of land for a long time?

My brother Oei Tjong Bo wisely bought it some years ago.

Have the lines of your Bangkok office been machinery trading and real estate?

In its early years, their major business was rice trading, and then, I think rubber was added. Machinery trading and real estate came more recently.

Is your father's name well known in Bangkok also?

No, but the name Kian Gwan is well known. If you say Kian Gwan, it is OK. I noticed it about ten to fifteen years ago when a customs official became courteous when I told him I

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was a director of Kian Gwan when he asked me what I was going to do in Thailand and who I was. The customs and immigration officials at the airport are now better disciplined, but at that time, they were very difficult to deal with and you had to sort of bribe your way.

In 1940, when you joined the company, where was your Bangkok office located?

I don't remember the name of the street, but it was near a canal and in the Yip In Tsoi Building. The building was named after the businessman Yip In Tsoi, who was as well-known in Bangkok as Eu Tong Sen was in Malaya. It was near a fruit market. It was near the Hua Lampong Railway Station.

Did the office then move to Wireless Road?

No, it first moved to Surawong Road where the old Trocadero Hotel is. My brother Tjong Hiong, the South American brother, built it with me. That was where we started the rice business. Then we sold it when our brother Tjong Bo bought a land on Wireless Road and put up a building there.

How many years ago did you move to Wireless Road?

It must have been in the early 1970s.

How was the situation in your Bangkok office when the Indonesian confiscation came? It must have been smaller than your Singapore office.

Yes, but it was self-sufficient and fairly well-off. It was not financially uprooted. The only thing was that its cash flow was disturbed.

Weren't its banking connections seriously affected by the Indonesian confiscation?

No. The Bangkok office had been dealing with Chartered Bank and, I think, also with Hong Kong and Shanghai Bank, and this continued after the confiscation.

14. The New Order Period

After Suharto came to power, I am told that you were asked to go back to Indonesia and revive Kian Gwan. Is this correct?

No, it was not exactly like that. When Mr. Suharto took over, it was reasoned that the people who suffered under Sukarno would be compensated by President Suharto. It was a logical way of thinking. So, I was also induced to approach President Suharto and ask him to return our property. I wrote two to three letters of petition to President Suharto, of which I have not even had the courtesy of acknowledgment. I had several meetings with one of his close advisors, Humardani. The meetings were held at his house. He had the habit of receiving a visitor barefooted, sitting in pyjamas trousers, and sitting with his feet on a table. I went there with my nephew, the son of Tjong Hauw. The nephew was a member of ASPRI, a presidential advisor. At that time, I thought that it was an important job, but later found out that there were hundreds of them. Humardani told me at one time, "I would discuss the return of your prop-

erty with President Suharto, but why don't you show faith in Indonesia first? Suharto is keen about having a sugar refinery in Sumatra. Why don't you build one there? Why do you always have to talk about your old property? Those are gone anyhow. Why don't you start something new, and you can get back all money easy." I said, "No, after our experience, I am not in a position to ask my family to invest five to ten million dollars to start a new factory."

Apart from that, I was approached by several veterans who said that they could help me in getting our property back. For a few years, I did my best. They said, "I cannot see you in Indonesia, because it is too obvious. I'll go to Singapore. Can I take my family along?" So, each time, I sent four to five first-class tickets, and paid their hotel bills and shopping bills. I spent so much money on all these people, without any concrete results. So, at a certain point, I had to stop this.

I don't think any person who had his properties confiscated by Sukarno got anything back under Suharto. The same thing is going on in China. All sorts of people I have never heard of are writing to me, saying that they can help me in getting back our properties near Amoy from the Chinese government. I have never even been there. They say my father owned a house and other properties there.

Do you think the Dutch companies which were nationalized by the Sukarno government got any compensation?

I think this was dealt with on a government-to-government basis, and they received some compensation, though it may not have been

adequate. In our case, we didn't get anything. So, I object to the term "nationalization." In our case, it was outright confiscation.

Do you know that after the Indonesian government's takeover, Kian Gwan became the state-owned trading company, Radjawali.

Yes.

Do you feel that President Suharto could at least have given you back the trading company?

Yes. But I don't think that he was in a position to do anything. When the Sukarno government seized our assets, it distributed them to various government corporations and organizations, such as the Army. So, in retrospect, it seemed politically impossible for Suharto to give them back to us. The loot had already been divided.

So, it is not true that he was anxious to invite you back.

I don't think Suharto knew that I existed. He knows me now, but not at that time.

15. Succession Problem

I now want to go back to the ownership structure of Oei Tiong Ham Concern. When your father died, were its shares given to different children?

When my father died, out of all his children, nine sons inherited the shares. They in-

herited an equal share. The younger sons who were not yet 21 years old at that time could not exercise their rights until they reached that age.

What happened when one of those sons died? Were his shares given to his children?

Yes, or to his heirs. In the case of two of my half-brothers, they left their shares to their surviving brothers.

In a Chinese business in Southeast Asia, the problem of succession often arises when the father dies, and the business tends to be split up. The problem seems to be due to equal inheritance, or if not equal, shared inheritance, which has been a traditional inheritance system in the Chinese family. In the case of Oei Tiong Ham Concern, it was not split into different companies, but ownership was shared. Didn't this create difficulties for a person who headed the group, especially in creating a strong leadership?

Yes. In a Chinese business, we have often seen that someone builds up a big business but by the time it reaches the third generation, it folds up. In the case of Oei Tiong Ham Concern, it is true that deterioration started in my generation, that is, the third generation. Why is this so? The problem was not equal ownership per se. It was the fact that amongst the nine or eight remaining shareholders, there was no clearly defined authority; all were equal in shareholding and thus became equal in authority. Then, among the Chinese, there was a tendency to think that an older one is a wiser or more capable

one, but this is often wrong. In our particular case, with the exception of Oei Tjong Hauw, my other three elder brothers were not capable managers. When I was chairman, I did not have an authority to give them instructions or replace them. I couldn't transfer them, either. If I needed somebody in Shanghai and picked one of them to go there, he could refuse it, and there was nothing I could do about it. Theoretically, authority was vested in me, but when I tried to exercise it, it often did not work for the members of the family—this is what you expect of a Chinese family business. For instance, my elder half-brothers always stayed in the head office in Semarang, and never learned any other aspects of our business. They came to the office when it pleased them—they might come at nine, ten or eleven; they might take a two to three hour lunch break; and when they did not feel like working, they stayed away from the office and went to play tennis. It is fine if you can afford to live like that, but you cannot run a business like that.

What do you think your father should have done to keep Oei Tiong Ham Concern going?

I think my father was a realistic man. If he had only lived longer, he would have weeded out ineffective sons. He would have put them in a position where they could maintain themselves but could not exert too much influence.

But even so, he would have had to retain a few sons, not likely only one son, and since they shared ownership, the problem you described would have come up, although in a less

magnified way. The few who remained could have fought each other, and a serious leadership problem could have arisen.

Yes. You could not solve the problem, but you could contain it. When my father decided on the nine sons, according to my mother, he created four shareholders from the Oei Tjong Hauw group, another four shareholders from my group, and made Oei Tjong Swan a lone single shareholder who held a casting vote in the case of deadlock between the two groups.

What do you mean by the four shareholders?

As I explained to you, nine brothers inherited Oei Tjong Ham Concern. There were three groups. One was the Oei Tjong Hauw group, another my group, and the third, Oei Tjong Swan. Each of the first two groups had four brothers who held shares—one share each. He figured that Tjong Swan would never join the Tjong Hauw group because there was certain rivalry between the two and that Tjong Swan would join my group. He did not foresee that Tjong Swan would sell out so early.

I do not know what my father would have done, but under his management, it would have been quite possible that some of my brothers would work under outsiders. But under the ownership structure which evolved after my father's sudden death, this became impossible. No brothers would take orders from outsiders. I can say that I was the only one in the family who, even if a superior was a non-Oei, would take orders from him. I think for a company to survive, such a discipline is necessary.

To avoid such a problem, the family can leave management to professionals, although it should retain the right to determine basic management policy. In fact, this is practiced by the sons of Lee Kong Chian in Singapore. What do you think of this arrangement?

This sort of thing has theoretical and practical sides to it. Any conception you dream of can be theoretically perfect, but whether it works or not depends on various individuals who occupy top positions. I do not think anybody has a clear-cut solution for this. The tragedy of a Chinese business, I think, is that in the first generation, one man has the whole say and authority and runs a business successfully despite many mistakes because he is right more often than he is wrong and so his average is good, but after it gets big, in the second and third generations, since the number of family members involved in management increases, the line of authority gets blurred, and then I think decay sets in, which is exactly what happened to us.

Do you think some other big Chinese business families in Southeast Asia have shared similar problems?

Yes. Look at the Eu Tong Sen family. I would say that he was equivalent to Oei Tjong Ham in Malaya. As you know, he became very big, based on tin mining. But his whole empire has disappeared because his sons had equal share and equal authority. And some of them were playboys. In the case of the Loke family, they were a bit luckier. I don't think they have suffered so much deterioration in the second generation. But who knows what

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will happen in the next generation?

Loke Wan Toh, who founded the Cathay group, was a second generation Loke. He was a capable businessman, wasn't he?

That is very difficult for me to answer. He and I were neighbors, and we were good friends. I don't think he was exceptionally capable, though he was well educated. However, he had capable managers.

Someone was telling me that the problem with his business was he died suddenly and young.

Yes, he died in a plane crash.

Do you know the family of Eu Tong Sen personally?

Yes, I do. I know the brothers. What happened to them was the same as what happened to our family. You can see the two families suffering from the same problem.

Wasn't Eu Tong Sen more traditional than your father? For example, he did not have a professional management team as your father did. Isn't this correct?

Yes, I would say that is correct; he was more traditional. This is a little ironical, for my father, who was Chinese-educated, did not speak English at all but was more modern in business management, whereas I think Eu Tong Sen spoke English but was more traditional in business.

In view of your experience, what do you think is the best way to transfer the ownership of a large family business to the next generation?

The only solution I can think of is to go public and have outsiders on the board. Major shareholders need not be executives in the company, though they may have to be on the board.

So, you are suggesting that there should be some degree of separation of ownership from management.

Yes. There is also another thing you must consider. In Singapore, until the recent change in estate duties, if you die and leave an estate of two to three million dollars, which is not a large estate by the present-day standard, the estate duty amounts to sixty percent or so. So, it will wipe you out. Suppose you have a large business here and your assets are known. If you die, the settlement of your estate duties may take even ten years. If you have ten million dollars in cash and have to pay a fifty percent estate tax, you will lose five million dollars but can still keep the remaining five million dollars. But if your asset is a business valued at ten million dollars and you have to pay five million dollars estate duties in cash, it will wipe you out completely. This is what happened to a lot of people here.

Do you know anything about the legal aspect of a foundation? Some families like the Lee and Shaw families in Singapore set up a foundation and transferred their shares to it.

Yes, you can make a foundation or create a

trust through which you can retain control.

Can you avoid estate tax in that way?

I don't know whether you can avoid it. But you can take certain steps and defer paying it every time. It is a very complicated legal thing, and I never bothered really to look into it.

So, your feeling is that for a large family

business to keep going over generations, it has to go public and get outsiders on the board of directors.

Yes, I think so. I don't think you can assume that because you are the son of an owner, you are entitled automatically to become an executive with a high salary and all privileges. In order to become an executive, one has to be able to fulfill the duty which comes with that post.