

# TJONG YONG HIAN AND THE DEVELOPMENT OF THE CITY OF MEDAN, THE EXISTENCE OF CHINESE THE ECONOMY FIELD IN INDONESIA

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## Abstract

*The domination of economy and trading by a Chinese group in Indonesia could not be separated from the "open door policy" since colonial age. Politically, Chinese had been granted special privilege through vreemde oosterlingen system, which was the separation of foreign eastern people and native inhabitants. Besides the officer system, residential system, construction of the social order were the construction of power hegemony in order to achieve development objectives. Tjong Yong Hian was one of the prominent businessman in a colonial age that arose from the production of that colonial policy system. Position and status that were given to Tjong Yong Hian, as well as political policy that were given by the government to the Chinese, enabled Tjong Yong Hian to strengthen his existence in the economy field. His success in developing his business empire had given contribution in the development of the City of Medan since the beginning of the 20th century.*

**Keyword:** Domination of economy, residential system, Tjong Yong Hian

**JEL Codes:** N01, N85, N95, O17, Q27

## 1. INTRODUCTION

Speaking about the existence of Chinese in Indonesia is not only about discrimination issues, both political and social, but also stigmatization that was born as the accumulation of long historical process of open door policy that ended up putting in their position as the controller of the economy field since the colonial age. It cannot be denied that the policies designed and executed placed Chinese elites at middle class structure. Of the data obtained currently, according to several studies, it is found that elite Chinese group in Indonesia consisted of 3 percent (around 6 million people) from the total of Indonesian residents. This elite Chinese group is often called as *cukong*. They developed collaboration with native local elites. The domination of economic sector by Chinese elites included establishment and development of family corporation. In Indonesia, 96% companies existed are family owned, and according to Statistical Central Bureau (Biro Pusat Statistik – BPS), family corporations in Indonesia are non-governmental corporation that contribute significantly to Gross Domestic Product which make 82.44% (Halim, 2013). It is estimated that family will control around 85% of business in European Union and 90 percent of businesses in United States. Family business around the world accounts for 75 percent from 100 leading corporations. The development of economic sector that was initiated by the Chinese is affecting the

development and construction of cities in Indonesia. The involvement of Chinese in the development of economy in Indonesia experienced ups and downs in accordance with policies applied in both Indonesia and their homeland country. This was because Chinese people had a strong emotional bond with their homeland country. Politically, they were often faced with situation that turned them oscillated due to government policies either in China and the places where they wander. For example, in the year 1991, when the Republic of China was erected, this new governments announced that all Chinese, both inland or in a foreign country, is a Republic of China citizen. However, Dutch East Indies government, before such policy was applied, in the year 1909, had announced an edict that all Chinese, wherever their birthplace and domicile was, they were not Dutch East Indies, but China resident. In line with the policy, Dutch East Indies implemented *vreemde oosterlingen* politic, which was the separation between Eastern foreigner from Dutch citizen and native Indonesian. Due to the special position in this system, Chinese received particular treatment (Hamdani, 2013).

## 2. LITERATURE REVIEW

### 2.1. Chinese Business Leaders

Since the beginning of 20th century, there were around 50 (fifty) Chinese business leaders in Java and Sumatra, most of them were officers or their descendants. Most of this elites were entrepreneurs that dived in export-import business, owner of tax-collecting properties, western company agent, supplier for governments, big shipping companies, plantation owners, and consumer product manufacturer. A lot of them developed their business into MNCs, and the most famous one was Oei family from Semarang (Java) and Tjong family from Medan (Sumatra) (Suryadinata, 2002).

In the growth of Chinese family business, we will get to know some pioneers who started to create their business. With the political situation being unstable at a Colonial age in Java and taking the opportunity from regulation system that decreases government supervision in product manufacturing system (especially sugar manufacturing) at that time, Oei Tji Sien was a pioneer in establishing Limited Company (Ltd – Perseoran Terbatas, PT) with *Kongsi* system. This system was a family-based PT rearranged into Kian Gwan or All Prosperity Source (Sumber Segala Kesejahteraan) (Panglaykim and Palmer, 1981). If there Oei Tjie Sien company at Java, at East Sumatra (currently North Sumatra), we would find a figure or pioneer in the development of family company that was Tjong brothers, who were Tjong Yong Hian and Tjong A Fie. mentioned this above.

The older brother, Tjong Yong Hian was first to start his business when he was in the beginning of wandering into Batavia until he stabilized and developed his business at East Sumatra. Oei and Jong family are Chinese elites who were successful in managing and raising family business in fluctuating politic dynamics at that time. Until the rise of the New Order, wealthy Chinese group continued to arise and establish collaboration with native local elites. Moreover, the growth of business developed by Chinese risen into Multinational Corporations. The success of development of the City of Medan undeniably was an effect of the growth in plantation that can also be said as a place where Chinese people carve out success as trader and entrepreneur.

## 3. METHOD

The methodology used is the more precise analysis of semiotics. As well as the descriptive method was selected as the way in solving the problem (Muda *et al.*, 2017 and Muda *et al.*, 2018). Then the data in the analysis of this descriptive method using Descriptive Research, with a qualitative approach.

## 4. RESULTS AND DISCUSSIONS

### 4.1. Result

#### 4.1.1. Tjong Yong Hian and Power Network

Medan arose as the centre of economic activity, government administration, politic, and culture became a tremendous charm for the immigrants to venture there. As a result, so many ethnical groups like Karo, Toba, Minangkabau, Aceh, Chinese, Javanese, Indian, and others became Medan residents together with the inhabitants Malay (Suprayitno, 2005). Investment at plantation field that had been done by plantation entrepreneurs had pushed economic growth rate magnificently from tobacco trading (Sirojuzilam *et al.*, 2016, 2017 & Sihombing *et al.*, 2017). In less than 25 years, Deli, which was the pioneer of the City of Medan, had been livening up by the new city, complete with common European means of transportation and communication (Hamdani, 2013). The growth of Medan as a new city could not be separated from the long history of Deli tobacco plantation which was famous for having the best quality in the world. Before the arrival of foreign plantation entrepreneur, Medan was only a small village area and thought to be worthless. However, in the mid-19th century, Medan became the magnet for foreign plantation investor to develop and expand plantation in Deli. Medan was thought to have significant economic potential and had grown this area to become “Dollar Country” due to its produced tobacco popularity. The arrival of plantation entrepreneur at Deli plantation era (1863) turned Medan area to grow rapidly in terms of economy, social, and culture.

The development of the plantation was not only marked with facilities and supporting infrastructure for the existence of a city (Muda *et al.*, 2016 and Muda *et al.*, 2017). It was also for the flow of immigrants. Chinese was one of the immigrant’s group that occupied East Sumatra and can be classified into two groups, which were voluntary immigrants and immigrants due to plantation contract. In the history of city development in East Sumatra, immigrants were an essential part of the city.

Medan, the city which grew in the 20th century, with the principles of Colonial mixed with a capitalistic economy, had caused the formation of different social order from other colonial cities. In this city, social status in the form of wealth or position in plantation company had a very important role to show “who was more powerful than whom” (Hamdani, 2013). This social order was also implemented in colonial administration governance by dividing residence system based on the ethnical cluster. Chinese class received privilege by occupying unique cluster in the middle of the City to ease the overseeing and to let them develop products and groups distribution network, skill, and capital. So that the Chinese could freely run their monopoly, syndication, supply control, and basic needs price (Hamdani, 2013). Also, colonial government policy put Chinese people in go between or middleman class through the system of work relationship with the plantation owner at the era of Nienhuys. In this working relationship, Chinese was lifted into foreman position in Kongsis system as a contractor. This kongsis system gave authority to foreman to cultivate a plot of land and seeds that at the end of planting

season must be sold again as finished plants to the contractor. Social order system that was constructed by the colonial government had given privilege to Chinese and was a form of social engineering which goal was to maintain the hegemony of colonial power. Economy and trading were the field that was controlled due to privilege given to the government to the Chinese.

Tjong Yong Hian was a Chinese free immigrant or was not bonded by plantation contract system like most of the Chinese group. Tjong Yong Hian was involved in colonial administration system as a Chinese officer. The existence of Chinese officer was considered necessary as a mediator for conflict that happened in their inter-group plantation. Officer system was set by Deutch to Chinese in Batavia since 1619. Officer was given the power to control their races in civil matters and others issues related to religion and customs (Suryadinata, 2002). Position and status given to Tjong Yong Hian, as well as a political policy that was given by the colonial government to Chinese group enable Tjong Yong Hian to strengthen his position in the economy. Through his position as officer, Tjong Yong Hian could use his special position to fix and enhance his own business.

## 4.2. Discussions

### 4.2.1. Network between Development Actor

The rise of Medan as a new city since the opening of Deli tobacco port grew at the end of 19th century. The importance of government administration centre and plantation administration had pushed the establishment of East Sumatra district and Medan was chosen as the capital city. The movement of plantation administrators followed that establishment. Besides, the colonial government also conducted the movement of Deli Emperor palace which was at Labuhan area to the center of the City of Medan. With this movement, it was the start of administration building, plantation administration building. With that change, administration warehouses, plantation administration centre, facilities and infrastructure, as well as trading company and other supporting building.

The trail of plantation development was seen from the existence of building with historical consisted of offices, stores, hospitals, schools, banks, bridges, roads, hotels, places of worships, official residences, warehouses, gymnasiums, water towers, etc. These buildings had typical architectural style, layout and areal growth characteristic which were very European, or, it can also be said that, they have similar prototype trail of European cities. The existence of this building as support for governance and administration centre that was first located at Labuhan, then moved to the City of Medan. Since the movement of administration centre and the movement of plantation office Deli *Maatschappij* to Medan in 1889, the City of Medan transformed into the elite area.

The development of the City of Medan area could not be separated from construction policy that was applied by colonial government. Luckman Sinar (2011) said that the City of Medan had turned into a city who has been developed in infrastructure area. For the first time outside Java, Deutch built city civilization which certainly cannot be separated from the interest of construction development owner. Aside from creating administration and government centre, colonial government also organized residential area system based on Ethnical Culture. Residential area based on ethnics are as follows: Maksum City area which was Malay village, then to the north there would be a village

lived by the Minangkabaus. To the west part of the city center especially Polonia was European village consisted of government office, plantation centre office, and residences. And at the outskirts of European village (Polonia) there was Kampung Keling that was inhabited by Tamil Indian. There was also Arabic village that was located between Deli river and Old market. On the east part to the west Chinese residences grew. There was also village outside Malay village foot circle which was River Kid. There was also a village grew outside the circumference of the area, which was Kampung Sungai that was inhabited by immigrants from South Tapanuli.

The policy given by colonial government could be seen through officer system or residential system and social order construction had shown how this system was being produced as an effort to maintain power hegemony. Power hegemony in a government was needed in achieving development objectives. In this case, power drove where was the direction of the development. In political interest perspective, the actors played an important role in defining how construction politic was formulated and executed it so that it gave importance to them or their group, for the near future or forthcoming in economy or politic in a relationship with power. The development actor with their owned power could gently or by force produced construction projection, intervened, or influenced construction process and also construction implementation. Legalization of power identity and the sustainability of power became an important characteristic of the involvement of development actors (Warjio, 2016).

In the context of development actor, it can be seen in officer system policy that was implemented by Chinese, and residential cluster system, also occupancy limitation system that was applied by Chinese group. Through these systems, colonial government gave power to selected Chinese people and gave flexibility in accessing economy and development direction of the City of Medan. The Chinese that was trusted and granted power and involvement in colonial administration governance were Tjong brothers, Tjong Yong Hian and Tjong A Fie. Tjong Yong Hian was the first Chinese person that was appointed officer and later given the title Capitant or Captain, but this title was not related to military. According to Chandra (2011), colonial government gave the title to Tjong brothers with the rank "Lieutenant" and "Captain". This title or ranking award was a form of legitimation of the leadership in Chinese society and involvement in solving problems related to social and culture of Chinese society. Later, gradually Tjong Yong Hian had his rank upgraded into "Foreman". Social proficiency and access granted affect relationship among actors that had power in development like native leaders (in this case empires) and colonial government.

Status and position of Tjong Yong Hian was a form of legalization of power identity that was given by colonial government and turned him as one of the actors that are involved in development politic of the City of Medan. His status brought him to policy issues that issued were by provincial government, one of them was about the plan to develop the City of Medan. Tjong Yong Hian was given the power to withdraw and set taxes, was given special privilege to control opium trade. In the governance structure, Tjong Yong Hian was in group class who had power and worked together or collaborated with the ruling elites both indigenous and colonial. Interests of ruling class and ruling elite were capable of influencing and controlling ongoing development. This was shown from the development of facility and infrastructure in the city that was done by Tjong Yong Hian. His closeness to the government gave access to development projection that was done in Medan. Tjong Yong Hian bought lands and constructed Chinese shops. Constructing



meat market and fish in the year 1886-1887, followed by constructed vegetable market in the year 1906 (Buiskool, 2007).

The freedom constructed by colonial government and was given only to Chinese had arrived its peak until the year 1940 until reached the highest in city area (Pelly, 1998). The success of economic achievement and development contribution in a foreign country didn't make them forget traditional culture value, respecting ancestors, showing faith and devotion. Even in a political plan that was developed by successful Chinese was by binding one's self with ancestor land aside of grave. To donate or investing shares in infrastructure programs in homeland was a form of devotion to the empire that will definitely be rewarded (Hamdani, 2013). This had been done by Tjong Yong Hian who was the son of leading shareholder of Kereta Api Shatow Corporation (China) and Siang Hwee (Chinese chamber of commerce) Deli.

## 5. Conclusion

The involvement of Chinese in development policies in the City of Medan was an effort in applying and implementing development projection that had been planned. This could be separated from the effort to maintain the sustainability of power hegemony. Colonial government, in this case, could be seen as institution that played a role as development actors. To realize development politic, the institution needed support from other actors that were given authorities to help realizing development. Policies applied through an officer, residential, and economic system had successfully restricted and obstructed space or mobility of indigenous people to compete with Chinese group that were intentionally formed by colonial government as rulers in trading field. The colonial administration governance had turned Chinese like Tjong Yong Hian to rule not only trading but also development actor that played part in the development of the City of Medan chamber of commerce, banks, as well as facilities and infrastructures that support a city's existention.

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