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Asian Family Conglomerates

**Lippo tycoon looks to young-gun grandson to build digital empire**

JUN SUZUKI, Nikkei staff writer
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https://on.ft.com/2yn3nJf

Lippo Group founder Mochtar Riady, center, and his son James, left, look poised to pass the baton to a third generation led by James' son John, right.

Mochtar Riady's heir apparent, John Riady, makes mark in Indonesian e-payments

JAKARTA -- Indonesian tycoon Mochtar Riady has been contemplating the question of succession for nearly 30 years. Part of the answer, he thinks, lies in Chinese folk wisdom about failure.

Nikkei recently caught up with the 89-year-old and asked about his plans for ceding control of his Lippo Group conglomerate, which has evolved over more than half a century from a domestic bank to a property and retail empire with assets reportedly exceeding $10 billion. The challenge for the next generation is to spearhead another reinvention, this time in health care and e-commerce.

As Mochtar's grandson and heir apparent, 33-year-old John Riady is expected to build on the group's successes -- and learn from brushes with controversy and defeat.

Mochtar, in the interview on July 5, brought up a Chinese tale of how eagles teach their young to fly by letting them go in the air. The moral of the story is to let one's offspring learn from mistakes. Then he bluntly declared that John had "failed" with an online shopping business.

John attempted to make his mark with MatahariMall.com, an online marketplace offering a wide range of women's fashions. The site was launched with great fanfare in 2015 but has struggled to build its user base. Meanwhile, rivals such as Tokopedia and Bukalapak have become unicorns - - privately held startups valued at $1 billion or more.

"I told John, 'You made a big mistake, because you always think about buyers but you never think of sellers,' Mochtar said, referring to consumers and merchants. "That was your mistake.'"

MatatahariMall.com counted 4.6 million monthly visitors in the second quarter of this year, according to iPrice Group, versus 111 million for Tokopedia and 85 million for Bukalapak.

But if Mochtar is unimpressed with his grandson's handling of the online mall, John seems to be making up for it with e-money.

In July, restaurants on the first floor of the Gandaria City shopping mall in southern Jakarta started accepting Ovo, an e-payment platform Lippo launched last year. In front of every eatery stands a purple Ovo signboard promising "10% cash back" and other deals.

The Ovo logo is also appearing more in Surabaya, Medan, Bandung and other cities. The group says its e-money can be used at 200 malls and 5,000 restaurants nationwide. By transaction volume and value, the operator says it is the No. 1 player in an Indonesian e-payments market that grew 434% in the first half of 2018.

https://on.ft.com/2yHmahN

Indonesians can sign up for Ovo at counters like this one in a Surabaya shopping mall. (Photo by Jun Suzuki)

Ovo symbolizes Lippo's path forward in more ways than one: It is a further step into digital technology and e-commerce for a group Mochtar founded in the 1950s. And it is run by John.

"Now John operates Ovo and [has found] success," Mochtar said. The founder argues it is just as important to keep merchants in mind in the e-payments business, since Ovo's future depends on how many stores introduce it.

Mochtar is showing few signs of slowing down. But he is pushing 90 and his second son, James Riady, who supervises Lippo's core operations in Indonesia, is 61. That is a year older than Mochtar was when he started thinking about passing the reins to his descendants.

Lippo is under pressure to put John and other third-generation family members in charge sooner rather than later. In relatively young Indonesia, where the median age is around 30, youth could be an advantage.

John, currently a Lippo Group director, is the eldest son of James, the group's CEO.

James is credited with expanding the domestic real estate business after the Asian financial crisis of 1997 spurred the group to divest its banking operations and transform into a property developer. He also led the conglomerate's forays into health care and education. But he has encountered his own tough lessons over the years.

https://on.ft.com/2NJKy83

Lippo Group kept a cautious distance from the Suharto government that ruled Indonesia for three decades. This stood in contrast to the approach of the late Sudono Salim, the founder of Salim Group and Mochtar's longtime business partner. Salim maintained close ties with Suharto's authoritarian regime.
Since Lippo kept Suharto at arm's length, it avoided significant damage from the strongman's downfall. Yet, in the U.S., Lippo became embroiled in a major political fundraising scandal.

The group acquired a bank in the state of Arkansas and the young James took charge of its management. In the process, he became acquainted with then-Governor and future President Bill Clinton. This connection would prove costly, both financially and in terms of Lippo's reputation.

James became involved in fundraising for Clinton and ran afoul of federal election law. In 2001, he pleaded guilty to a conspiracy to "defraud the United States by unlawfully reimbursing campaign donors with foreign corporate funds," according to a release by the Department of Justice. This brought an $8.6 million fine, a record for a campaign finance violation at the time.

The department said that in 1992, soon after James pledged $1 million to Clinton's presidential campaign, contributions made by another Lippo executive "were reimbursed with funds wired from a foreign Lippo Group entity into an account Riady maintained at Lippo Bank and then distributed to [the executive] in cash." The department said the contributions were made, in part, to secure "access, meetings and time with politicians, elected officials and other high-level government officials."

Looking back on the scandal, James said: "Power is both a blessing and curse. Since that time, I have attempted with all my heart to avoid politics."

To cope with the pressure of inheriting a huge conglomerate, James stressed the need to separate "vision and ambition." The line between them, he said, is often blurred.

https://on.ft.com/2yHmE7B

In an English-language autobiography published in 2016, titled "Mochtar Riady: My Life Story," Mochtar writes that he began considering how to hand the reins to James and his third son, Stephen, when he turned 60 in 1989.

In the early 2000s, James started supervising Lippo Group's domestic businesses, including Lippo Karawaci, its core property developer. Stephen was put in charge of overseas operations based in Hong Kong and Singapore, and he is now executive chairman of OUE, a Singaporean real estate company Lippo acquired from United Overseas Bank in 2006.

Mochtar told Nikkei he is no longer active in the group's management, joking that he would not be receiving any phone calls during the interview. But he also said he still provides management "guidance."

Several insiders said Mochtar continues to play a pivotal part in making important decisions.

Day-to-day operations are largely left to a team of professional managers. "How can [we] manage the business with two sons and three grandsons?" the tycoon said, emphasizing the importance of recruiting the right people and separating ownership from management.

Lippo's diversification has helped it meet its own personnel needs.

Thanks in part to James, the group has become a major education player, running schools across all levels from elementary to university. Its Pelita Harapan University has become one of the country's top private institutions, with campuses in Jakarta suburbs, Surabaya and elsewhere. The university provides Lippo with a steady stream of new recruits.

https://on.ft.com/2yo9LQw

Lippo's Pelita Harapan University in Karawaci offers the company a steady stream of talented graduates. (Photo by Shinya Sawai)

The group also has an army of middle managers with extensive experience at overseas banks and other businesses. And its workforce is international, with over 300 team members from outside Indonesia.

Recruiting has had its pitfalls, too, however. Emirsyah Satar, a former CEO of national airline Garuda Indonesia, was brought in to serve as chairman of MatahariMall.com, only to wind up being investigated on suspicion of taking bribes at the carrier.

As for the Riady family's role in running things, Mochtar said it is "to look at balance sheets and give directions."

Of course, someone still has to give those directions.

In November 2016, James told Nikkei that family succession was not necessarily a given. "We must be mindful of succession but it is not automatic that our family members are qualified to take the jobs," he said. "We must have patience and learn discipline."

Even so, John is clearly being groomed to lead the way.

John was educated mainly in the U.S., receiving an MBA from the Wharton School of Business at the University of Pennsylvania and a juris doctor from Columbia University's law school. Last September, he became president commissioner of the group's health care business, Siloam International Hospitals -- the largest hospital chain in Indonesia. He also serves as commissioner of Matahari Department Store.

If and when John takes the helm, the question will be how to help new operations retain momentum and old ones regain it.

Under Stephen's leadership, OUE is expanding the international scope of its hospital business.

https://on.ft.com/2COgJCq
This Siloam hospital in Jakarta is part of the largest hospital chain in Indonesia. © Reuters

Last year, OUE Lippo Healthcare teamed up with China Merchants Group, a state-run Chinese company, to start operating hospitals in China. OUE also runs hospitals and nursing homes in Japan with trading house Itochu. Mochtar said the idea is to soak up expertise for efficient management that can be put to use in China.

But while the group's hospital operations and Ovo e-payment service are on the rise, its key property business is not.

The stock price of Lippo Karawaci is two-thirds lower than it was two years ago. In April, Moody's Investors Service downgraded the company's credit rating to B2 from B1.

Moody's expressed concern over Lippo Karawaci's operating cash flow, with analyst Jacintha Poh warning the flow would be dependent on "asset sales that are subject to delays and market conditions."

Another worry is Meikarta, an enormous Lippo urban development project on the outskirts of Jakarta.

https://on.ft.com/2yjQAri

Meikarta, a 273 trillion rupiah ($18.32 billion) investment and Lippo's biggest project yet, is to include condominiums and offices along with malls, schools, medical facilities and luxury hotels. In other words, Lippo is pouring all of its expertise -- property development, education and health care -- into a new city that will be home to 1 million residents.

The endeavor marks an important shift from high-end properties to more affordable housing for Indonesia's growing middle class. Local news reports, though, have suggested the project is stalled -- something Mochtar has strongly denied, insisting anyone can look at the construction site to see that work is progressing.

Tensions escalated on May 30, when a group of homebuyers in Manado, North Sulawesi Province, enraged by delays briefly held Lippo Karawaci President Ketut Budi Wijaya hostage, according to local reports.

The trouble adds an extra element of uncertainty as Lippo looks to marry its traditional businesses with the digital operations led by John Riady. Soon, like the eagles of Chinese folklore, John may have to prove he can fly.

The Nikkei Asian Review will begin publishing Mochtar Riady's "My personal history," an autobiographical series, on Monday.
From a small bicycle parts retailer in 1950s Indonesia, Lippo Group has grown into one of the country's biggest and most diverse conglomerates. Best known as a property developer, Lippo is involved in everything from malls and hospitals to banks and blockchain technology. The group's diversity and success — it churns out some $7 billion in revenue a year — is largely down to its founder and long-serving chairman, Mochtar Riady.

The 89-year-old recently opened up to the Nikkei Asian Review about himself and his sprawling group. In this 30-part series, he recounts the history of both a man and a business, from their humble beginnings in Indonesia to their success on larger scale.

The story of my life, particularly my professional life, is in many ways the story of modern Indonesia.

My name is Mochtar Riady, and I am the founder and chairman of Lippo Group. With sales totaling approximately $7 billion, Lippo Group is one of the five largest ethnic Chinese conglomerates in Indonesia, with operations in both Asia and the United States.

Written in Chinese, the word Lippo is composed of two characters, one meaning "power" and the other meaning "treasure." If you have ever visited Hong Kong or Shanghai, you may have seen the name on such buildings as Lippo Center and Lippo Plaza.

I was born on May 12, 1929, and am of ethnic Chinese descent — my Chinese name is Lie Mo Tie (Li Wenzheng).

In my youth, I became involved in Indonesia's independence movement for a period of time. Later I built up the nation's largest commercial bank, though I had to let it go after the Asian financial crisis in the late 1990s. After that, I focused my business on real estate development.

Now approaching 90, I am pouring my heart and soul into creating a new city in Indonesia. Meikarta, located some 40km east of Jakarta, will integrate residential areas with academic research facilities to create a new kind of community. The total construction cost is estimated at 278 trillion rupiah ($19.7 billion), and once completed it will have a population of 1 million.

Meikarta will have not only houses and shopping malls but also elementary, junior high and high schools, universities, hospitals and information technology research institutions.

Housing, education, health care — areas like these are a crucial part of daily life for residents, and it is the intention of Lippo Group to manage all of its operations itself.

Through our group companies and business units, we provide all of the commercial services and public facilities essential for urban life, including supermarkets, department stores, coffee shops, playgrounds, movie theaters, schools and hospitals.

Lippo Group has two core businesses.

The first is property development. This involves more than simply selling land and buildings. To be successful in this business, you must also add various value to the land, and that means providing the facilities and services that residents need to lead a comfortable life. This aspect of land development has driven Lippo's expansion into various lifestyle industries.

Our other core business is providing information and communication services.

In addition to mobile phone services, we also have a cable television unit and operate a TV news channel. We are also expanding our e-commerce and online banking operations.

Our two core businesses have given rise to a wide variety of units and are now generating synergies, with all our operations functioning as an integrated group.

In writing this series, I would like to do more than simply tell my own story. I also want to help deepen people's understanding of Indonesia, even if only a little.

Indonesia's independence came at exactly the same time as my own. I spent my university years in China and returned to my home country in 1950. Indonesia had gained its independence at the end of December 1949, and its history as a truly independent nation began the following year.

Both the successes and crises that I have experienced in business were reflections of Indonesia's situation at the time. Sometimes ahead of the times and sometimes in danger of being swept away by their violent currents, I have kept my business going through the years.

Allow me now to take you on a journey through the history of modern Indonesia.
Mochtar Riady is the founder of Lippo Group. Pinyin Romanization is used for Chinese names, except in cases of well-known or historical figures with established English spellings.

The "My personal history" series of autobiographies first appeared in The Nikkei in 1956. Since then, a wide variety of world-changing individuals have written or dictated their life stories for publication. The list includes Margaret Thatcher, Suharto, Lee Kuan Yew, Mahathir bin Mohamad, George W. Bush, Alan Greenspan, Seiji Ozawa and Carlos Ghosn.
Born in Dutch-controlled Java, I soon moved to my father's home village in Fujian
I was born in May 1929 on the island of Java, which was then part of the Dutch East Indies. At the time, there was no country called Indonesia.

I hail from Malang, a highland region in eastern Java. My father, Li Yamei, migrated from China's Fujian Province to a resort town in Malang called Batu (which today is separate from Malang regency). There he earned a living by selling traditional Javanese textiles known as batik.

When I was 5 months old, my father took me and my mother to his home in Fujian Province to be with my ailing grandfather. My father was the eldest son and was worried about the family he had left behind. I had four elder sisters, all of whom were born in China and lived in the family home.

Xindian, my father's ancestral village, was located in the town of Jiangkou, in what was then Putian County (now Putian city). The area is halfway between Fuzhou, in the north of Fujian Province, and Xiamen, in its south.

Lying between mountains and the sea, Putian -- or Xinghua, as it was once called -- had very little land for farming. Many people hoping to start a new life emigrated to what is now Indonesia or Singapore. In those days it was easy to enter and leave the country, and people traveled frequently between China and Southeast Asia.

In 1918, when he was about 19, my father left his village for Indonesia. He was already married and had a child by then.

Initially my father would travel back and forth between China and Indonesia, but he eventually brought my mother to Malang, where I was born.

My ailing grandfather died soon after we arrived in Xindian. My father then returned to Malang on his own, leaving my mother behind to take care of my grandmother. I stayed with her.

Some 1,000 people from about 200 households lived in Xindian at the time. All but one family in the village had the surname of Li, the lone exception being a family called Chen.

Those were turbulent times in China. Though the Kuomintang held power in Nanjing, in reality warlords controlled much of the country.

Even in Fujian Province, armed groups were rampant, with rival factions in the north and south locked in a fierce back-and-forth battle for dominance.

Because Xindian was close to a road running between Fuzhou and Xiamen, the village was exposed to constant danger.

When a battle began, groups of armed fighters would pass near the village, causing terrified villagers to flee to the mountains, where they hid in tombs until the danger had passed. Battles broke out every month or two, and each time the villagers were forced to take refuge in the mountains.

Villagers also feared the gangs of tu fei, or bandits, who usually struck at night. To protect against invasions, houses were built along a narrow road with forts at either end.

Every night, villagers took turns standing guard against the bandits. These gangs also fought each other, sometimes with guns. I remember villagers, too, owned guns, to protect themselves.

As the fighting continued and public order broke down almost completely, my grandmother began to worry about my future. She urged my father to come and take me back to Malang as soon as possible.

Mochtar Riady is the founder of Lippo Group.

Click here to read Mochtar Riady's full "My personal history" series. here https://s.nikkei.com/2RUvBlw
I never forgot her words, even though it took me many years to understand them.

I lived in my father's home village in Putian County in China's Fujian Province until I was 6 years old.

I was the fifth of my parents' eight children and their only son. My four older siblings and three younger ones were all girls.

I was the first grandson for my grandmother in Fujian Province. I was the apple of her eye and she lavished affection on me.

My grandmother was always with me and protected me from any danger or harm. When she was around, no other member of the family dared to scold me. I slept with my grandmother in her room, not with my mother, and I was always served the best food available in the house.

God, works wonderfully. Everything is arranged for the human race. Even if we cut down all the trees, they will grow again. And there will always be things that can be burned instead of wood, so you don't have to worry."

One day she took me to a temple. There, in the profound silence of the surroundings, she began to speak to me. "Child, our home is very beautiful, but look how poor everyone is here. That's because they have no skills. You must go abroad to study. You can come back once you are done and do things for the village."

I still remember the earnest tone in which she spoke these words. She also said emphatically to me, "You must go away in order to come back, my child."

Still a young child, I was of course unable to understand what she meant. Even after I grew up, I remained uncertain about the real meaning of her words. But the phrase "go away in order to come back" was seared into my memory.

More than half a century later, in the 1980s, I visited my father's home again. It was then that I finally understood the message that she wanted to convey to me. I will talk more about that episode later.

Back then, my father was running a textile shop in Malang, on the island of Java, having left me and my mother in his home village. In 1935, when I was 6 years old, he came back to take the two of us with him to Malang. It had been decided that one of my uncles who was also living in Malang -- my father's immediate younger brother -- would return to the family home to take care of my grandmother. My four elder sisters remained in China and continued to live apart from us.

I was terrified at the prospect of parting from my grandmother. I cried almost every day and would not let go of her. My resistance, however, was in vain. I was separated from my grandmother and brought back by my parents to my hometown, Malang.

Speaking gently, my grandmother gave me the following answer, according to my uncle. "This world, created by
In Malang, I received a Chinese education and saw colonial arrogance firsthand.

It was in Surabaya, a port city on the island of Java, that I saw a Dutch person for the first time in my life.

The Dutch began colonizing what is now Indonesia in the early 17th century. They first established a foothold on Java and then colonized the surrounding islands one by one, eventually bringing the entire archipelago under a colonial rule that was to last for more than three centuries. When I was a boy, Indonesia was called the Dutch East Indies.

Our family left my father's home in China's Fujian Province to live in Java. After a two-week trip by sea, we arrived in Surabaya. To go through immigration, we had to wait in a long line in the sweltering heat.

That was when I saw a Dutchman for the first time. I was stunned by how much taller he was than the average Chinese person. To a young boy like me who had never seen a Dutch person, he looked scary.

The Dutch immigration officer was very rude to me and other Chinese. I started crying. I missed my grandmother in China dearly.

My mother tried to comfort me, hugging me tightly and telling me not to worry.

After we cleared immigration, we got into a car and headed to Batu, located in a highland region known as Malang, in the southern part of Surabaya. Malang had grown into a popular retreat and health spot for Dutch people working in Surabaya.

After spending some time in Batu, our family moved to the city of Malang. Between 10,000 to 20,000 ethnic Chinese lived there, most of them working as retailers and restaurant owners. There were elementary and junior high schools where classes were taught in Chinese, and I ended up going to a school called Nan Qiang.

Classes at these schools were taught in the Beijing dialect, the standard back in China. Because they had come from all parts of China, the Chinese living in Malang spoke a broad variety of dialects. Even those from different areas within Fujian Province had difficulty in communicating with each other.

Our family spoke the dialect of Xinghua (now Putian city).
My bereaved father played the role of both parents—and taught me to work hard.

Personal relationships are extremely important for huaqiao, as ethnic Chinese living abroad are called. They place particular importance on blood relations and ties with people from the same parts of China as themselves. Nurturing such relationships and helping one another enabled overseas Chinese to survive despite being outsiders in foreign lands.

My father had three younger brothers, all of whom emigrated to Batu in Malang, a region on the island of Java. But the eldest of these three returned to the family home in Xinghua (present-day Putian) in Fujian Province to take care of my grandmother. One of the remaining two younger brothers continued to live in Batu, while my father and the other younger brother moved to the city of Malang.

My father remitted money to his mother back home in Xinghua almost every month. Even after my grandmother died, my father continued remitting money for his younger brother who had returned to the family home. My father's actions were a reflection of our strong family ties.

We also had close ties with other people who had come from our home village. Many Chinese from Xinghua lived in Malang, where my father had opened a textile shop. For those who could not read and write, my father read out letters they had received from China and wrote their replies for them. He never accepted money for such acts of kindness.

My father sold traditional Indonesian fabrics called batik to local customers, and as I learned Indonesian, I also helped him with his textile business.

My father also never allowed me to accept gifts. "If you accept gifts from others, you become indebted to them and it's easier for them to give you orders. Giving makes you happier than receiving."

When I was given some sweets from a relative, my father insisted that I return them.

My father died in childbirth when I was 9 years old. At that time in Java, it was customary for women to give birth at home with the help of a midwife.

My father and I were waiting outside the room for the baby to be born when we suddenly heard my mother give an anguished cry. My father was too worried to sit still.

A girl was finally born, but my mother breathed her last immediately afterward. It was a sudden and unexpected death.

My father put up a picture of my mother in the middle of the room and set up a household Buddhist altar to pray for the repose of her soul. For 49 days after her death, he got up before 5 every morning and chanted a sutra for her.

My father struggled for a long time to overcome the grief of his loss. Sometimes he would stare at my mother's picture and weep bitterly. Adding to his grief, the baby, my youngest sister, died several months later. My father and I were now the only members of our family who remained in Malang.

My father was 41 years old when my mother died, but he did not remarry because he thought doing so would make me unhappy. After my mother's death, he played the role of both parents, acting not only as a stern father but also as a kind mother. He mended my torn clothes and even bathed me.

My father was 41 years old when my mother died, but he did not remarry because he thought doing so would make me unhappy. After my mother's death, he played the role of both parents, acting not only as a stern father but also as a kind mother. He mended my torn clothes and even bathed me.

All of my three younger sisters died while they were still infants. As a young boy I saw the deaths of so many close family members. These experiences instilled a fear of death into my heart.
My Personal History

06 On my own at 13, I learned a painful lesson
September 15, 2018 11:00 JST

The Japanese army detained my farther, leaving me alone and prey to swindlers

At the age of 13 I was suddenly left alone when my father was detained by the Imperial Japanese Army.

The Pacific War broke out in December 1941, and the following March Japan invaded the Dutch East Indies in pursuit of oil. Japanese forces landed on Java and advanced to Malang, where my father and I lived.

In Malang, there was an association of people who had come from Xinghua (present-day Putian) in China's Fujian Province. Both my father and uncle belonged to this association. The Japanese military believed the group to be an anti-Japanese organization linked to the Kuomintang government in Chongqing.

One morning not long after its arrival, the Japanese army detained the 62 members of the association. Both my father and uncle were taken away and did not return until Japan's surrender in 1945.

I was left completely on my own. I started running my father's textile store, and I also worked as a clerk at a hotel where Japanese military officers stayed.

Since Japanese guests used kanji to fill out the registration forms, I was asked to use my knowledge of Chinese characters to help with the registration process.

I heard that some rank-and-file Japanese soldiers were violent, but the Japanese officers I met were all polite. They often asked, "Can you write kanji?" Even though I couldn't speak Japanese, using Chinese characters I was able to communicate with them in writing.

During Japan's occupation of Java, local residents were required to take turns keeping watch on each of the town's streets every night.

We had nothing to do but to kill time during these long night watches. On one such night, three men and I were also on watch and we agreed to bet on a traditional Chinese card game called "Si Se Pai," or Four Color Cards.

I suffered an endless spate of losses and ended up deep in debt. I sold some of my father's belongings, including gold ornaments, to pay what I owed, but even that was not enough.

The three men came to my house and demanded payment. They were all more than 10 years older than me.

I left my house and did not return for days. But as I stood in front of my mother's grave weeping tears of bitter regret, it suddenly dawned on me: "They must have cheated me, a child, out of money." This realization gave me the courage to return home and reopen the shop.

Before long, the three men came to my house and again demanded money. I flatly refused them.

"You cheated me in the game," I said. "I'll forget about the money I have already paid, but if you keep asking for more, I'll tell people I know about this."

The trio never gave me a hard time again. I learned a bitter lesson from this mistake. Since then, I have always heeded my father's advice and refrained from gambling.

During the Japanese occupation, junior high school classes were canceled, so I continued to attend Nan Qiang Primary School.

The school's principal, Luo Yitian, was well-versed in classical Chinese literature. Principal Luo helped me read such classics as "Laotzu," "the Analects of Confucius" and "Master Zuo's Commentary to the Spring and Autumn Annals."

The principal also enlightened me on contemporary thinking, like Sun Yat-sen's "Three Principles of the People."

Principal Luo was a staunch believer in leftist ideology and encouraged me to read a book written by Zou Taofen, a respected Chinese journalist in those days. The book described how black people were oppressed in the U.S. and criticized capitalism.

"Although all people are equal, imperialist nations rule many colonies and discriminate against Asians and Africans," Principal Luo said.

Influenced by his thinking, I began to develop sympathy for anti-imperialist and anti-colonial causes.
Me, second from left in the third row, and my classmates in junior high school (Photo provided by company)

After a brush with danger, I went to study in Nanjing with the help of a general

On Aug. 15, 1945, Japan surrendered unconditionally to the Allies.

In Malang, where I lived, junior high school classes were resumed and I started attending them.

My father, who had been detained by the Japanese army, was released and returned home. But afterward he was always afraid. He was particularly terrified by the sound of motorbikes and would instantly run away whenever he heard one. He had heard the sound of motorbikes when the Japanese army came to take him away.

I took my father to Singapore and we stayed there for a while. The change of environment apparently did him good, and his fear gradually faded.

After Japan’s surrender, Sukarno, the leader of the Indonesian independence movement, declared Indonesia’s independence as a republic on Aug. 17. But the Dutch colonialists refused to acknowledge Indonesian independence.

First, British troops landed in Surabaya and other areas of Java to disarm the Japanese army. Then, Dutch forces landed across the country to regain the ground they had lost.

Indonesian residents rose up in revolt and started fighting both the British and the Dutch. The Indonesian fighters mainly staged guerrilla warfare in the mountainous areas from Surabaya to Malang.

Influenced by the views of the principal of my primary school, I viewed colonialism as an evil that undermined equality among humans and created gaps between rich and poor.

As I was young and vigorous, I began supporting Indonesia's pro-independence guerrillas.

A man in his 30s called Imam Soekarto led the guerrillas operating in areas around Malang. Despite our large age difference, the two of us hit it off. I helped his fight by buying medical supplies in Surabaya and bringing them to fighters in the mountains. I also reported the locations of Dutch troops to Soekarto's forces.

The Dutch adopted a “divide-and-conquer” strategy of setting up puppet states in Indonesia.

Siawu Giok Tjhan, a Chinese Indonesian activist who later served as a cabinet minister in the government of the republic, called on ethnic Chinese students to organize demonstrations against the Dutch.

While the older generations of ethnic Chinese who had migrated from China to Indonesia generally distanced themselves from politics, younger Chinese born in Indonesia were keen to get involved in political activities.

The anti-Dutch student movement attracted many young ethnic Chinese. I joined the movement immediately.

The Dutch arrested students who took part in the movement and sent them to a jail in Malang. I was among those put on a wanted list and detained, but I was immediately released. The Dutch apparently thought I was not the student on their list.

My Chinese name, as pronounced in Mandarin, is Li Wenzheng. That matched the name on the Dutch wanted list, but on my ID card my name was written as Li Mo Di.

The pronunciation of my Chinese name in the Xinghua dialect, which our family spoke at home, was closer to Li Mong Ding. As a result, when my family had my birth registered, the Dutch official in charge wrote my name as Li Mo Di, which eventually became my Indonesian name of Riady.

I had barely escaped being jailed, but I was afraid that I could be arrested again if I remained in Indonesia. My great-uncle in Surabaya (a cousin of my grandfather, to be exact) introduced me to a merchant from Xinghua who was living in Shanghai at the time.

Counting on the merchant's support, I headed to Shanghai. I believe this was around the end of 1946.

The merchant introduced me to a general named Wu Heyun, who held a senior post in the Kuomintang government in Nanjing. Wu also came from Xinghua.

The general arranged for me to take the entrance exam of the National Central University in Nanjing. I applied to study Chinese philosophy because there was less competition for the department.

I passed the exam and began my life as a student in Nanjing.
The Chinese Civil War devastated the city and forced me to escape to Hong Kong. After enrolling in the National Central University in Nanjing, I became even more staunchly leftist.

Following Japan's surrender, U.S. forces advanced to North China. At the end of December 1946, news that a female Chinese student at Peking University had been raped by an American soldier came out, sparking a wave of anger and indignation among Chinese youth. The following January, anti-U.S. demonstrations protesting the incident spread across China. Students at universities in Nanjing joined the protests, and I readily took to the streets, shouting, "No to U.S. Imperialism."

At the outbreak of the Sino-Japanese War, the National Central University relocated to Chongqing. It had only recently returned to Nanjing when I enrolled, and the number of faculty members was not large. I majored in Chinese philosophy and immersed myself in such classics as the works of Laotzu and Sun Tzu. My classmates came from various parts of China, but I was the only overseas Chinese at the university. I lived in a university dormitory and ate at the student cafeteria with my classmates.

In 1947 and 1948, China suffered hyperinflation. The Kuomintang was locked in civil war with the Communist Party and kept heedlessly printing money to finance the war.

As a result, the value of the currency nosedived, triggering runaway inflation. The prices of various things skyrocketed hundreds of thousands of times in a matter of months. Printed money became as worthless as wastepaper.

In 1948, the Kuomintang government tried to tame the chaotic situation by issuing a new currency backed by gold and called the jin yuan quan, or gold yuan. But the new currency also became worthless in about half a year. People used rice as a substitute for money. My father sent me money from Indonesia, but it was useless as people were relying on barter to get by. Life became increasingly desperate.

The civil war between the Kuomintang and the Communist Party continued raging across China. After winning a decisive victory against the Kuomintang's forces in the Huaihai Campaign, fought in areas to the north of the Yangtze River, in early January 1949, the Communist Party's People's Liberation Army advanced toward Nanjing. The city started suffering acute shortages of food and other necessities. Public order in Nanjing deteriorated and theft became rampant.

The National Central University canceled its classes, and most students and faculty members left Nanjing. Only a handful of students, including me, remained in the dormitory.

With nothing to eat, I shivered in the cold of the Nanjing winter. In Xinjiekou, the city's downtown district, refugees were freezing to death. As I had nobody to turn to, I went to the Dutch Embassy. Although I had supported Indonesia's fight for independence from the Netherlands and left Malang, my hometown in Java, to escape the Dutch authorities, I had no choice now but to seek the country's help.

The Netherlands provided protection to people from Indonesia on humanitarian grounds. I told the embassy officials about my situation, and they arranged for me to board a ship bound for Hong Kong. I thought I would probably be better off going to Hong Kong than remaining in Nanjing, where there was little to eat. At least in Hong Kong, I assumed, I would be able to get some food.

I left Nanjing before the People's Liberation Army captured the city in April 1949.

The first 20 years of my life were constantly overshadowed by war. I experienced four armed conflicts before I turned 20. The first was the conflict among warlords in Fujian Province, where my father was born. The second was the Japanese invasion of Indonesia. The third was Indonesia's war of independence. The fourth was the civil war between the Kuomintang and the Communist Party, which affected my life in Nanjing.

My experiences during these four wars convinced me that war can never be anything but a source of horror and sorrow. War not only causes death on the battlefield, it also creates hunger and poverty.

Arriving in Hong Kong after my escape from the chaos in Nanjing, I fully realized the great value of peace.
A reply from my sweetheart came just in time to prevent my boarding an ill-fated ship.

To escape the civil war between the Kuomintang-led government and the Communist Party, I left Nanjing and came to Hong Kong, even though I did not know anybody there.

I visited the local association of people who had come from Xinghua in Fujian Province (present-day Putian), my father's home region, hoping that I might receive some help.

As I expected, a member of the association took pity on me and arranged for me to stay at a shop run by a relative.

I wanted to return to Indonesia, but unfortunately I had no identification documents. I submitted an application to the Indonesian consulate in Hong Kong for permission to return home, but my request was rejected.

Then I heard rumors that Imam Soekarto, who had led guerrillas fighting the Dutch forces in Indonesia's war of independence, had become the Indonesian ambassador to Burma (now Myanmar).

In Indonesia, I had supported Soekarto's fight by bringing medical supplies to his troops.

The armed conflict between the Netherlands and Indonesia continued while I was in Nanjing. Finally, however, the Netherlands acknowledged Indonesia as an independent and sovereign nation in the Hague Agreement at the end of 1949.

I wrote a letter to Soekarto, asking him to prove that I was an Indonesian national. I had no choice but to wait for his reply in Hong Kong.

I spent my time in Hong Kong visiting bookstores and libraries to study Karl Marx's "Das Kapital."

I found that these shops and libraries also had large collections of books criticizing communism, so I read many of those, too.

Because the authors critical of communism were well-versed in communist ideology, reading their works helped me better understand Marx's theory. I did not have the slightest desire to become an entrepreneur.

Through my study of communism, I made many friends. We talked about traveling to Yan'an, a city in Shaanxi Province famous as the wartime stronghold of the Communist Party until 1947, and eventually agreed to go.

But I was concerned about my relationship with Li Limei (Suryawati Lidya), my sweetheart, who was four years younger than me.

I first met Li Limei in Surabaya while I was involved in supporting the Indonesian guerrilla army. Later, she also went to China and studied at a junior high school in Nanjing. As the situation in Nanjing became dangerous, however, her family called her back to Indonesia.

If I returned to China to join the revolution, I would probably never see her again. Almost every night, my heart ached for her and I longed for her even in my dreams.

I didn't want to part from her, but I would have to if I wanted to pursue my ideals.

Day after day, I was tormented by this painful dilemma. My friends became worried by my haggard face.

I wrote a letter to Limei from Hong Kong and waited for her reply. I checked the mailbox every day, in vain.

Just as my anguish was becoming unbearable, I received a letter from her. It arrived the day before I was to aboard a ship for Tianjin with my friends.

"I have been waiting every day for your letter and for your return home," she wrote. It had simply taken a long time for her reply to reach me.

My heart was torn in two. I couldn't get a wink of sleep and spent the whole night crying.

The following day I told my friends that I wanted some time to think over what I should do and urged them to board the ship ahead of me.

Just then a typhoon was approaching Hong Kong, whipping up the wind and waves. Because I arrived late I was unable to board the ship. My friends were waiting on board, but the wind only grew stronger.

Chemicals had been loaded onto the ship, and as the vessel rolled, it created friction that sparked a fire. The flames engulfed the ship, and everyone on board was killed.

I learned of the tragedy next morning from the newspaper. My girlfriend's letter had saved my life.
Meeting shop owners and seeing how business worked cooled my ardor for communism.

In 1950, I returned from Hong Kong to Malang, my home village on the Indonesian island of Java.

Imam Soekarto, the guerrilla leader I had become acquainted with during Indonesia's war of independence, vouched for my identity, and I received permission to return home. My father was waiting for me alone in Malang.

Indonesia had been recognized by the Dutch as an independent state at the end of 1949, and now it was embarking on efforts to turn itself into a modern nation.

I pondered what I should do. My studies had been cut short by the civil war in China between the Kuomintang-led government and the Communist Party, though I did not take part in the country's communist revolution.

After returning home, I set out on a long journey to see every corner of Indonesia.

I boarded a train in Banyuwangi in East Java Province and started traveling around the country, going anywhere my fancy took me. Wherever I went, I visited bicycle shops.

In those days, ethnic Chinese in Indonesia sold different kinds of products depending on where in China they had come from. People from my father's home village of Xinghua in Fujian Province (present-day Putian) earned a living selling bicycles and bicycle parts.

In bicycle shops across the nation, whenever I spoke the Xinghua dialect, the owners would extend their warmest hospitality to me. They put great value on connections with people from the same place as themselves.

At that time, there were few hotels in the country, and many of the bicycle shop owners I met allowed me to stay at their shops for free. In half a year, I had traveled to almost every corner of Java.

During my travels, as I saw firsthand how business operated in the real world, I gradually lost my ardent faith in communism.

I became increasingly sympathetic to the economic theory that Adam Smith described in "The Wealth of Nations," which I had read simultaneously with Marx's "Das Kapital."

I felt Smith's argument that the prices of goods are determined by the balance between supply and demand in the market was quite convincing.

My travels made one thing very clear to me: Indonesia is a country of great diversity.

Countless ethnic groups inhabit the country's many islands, each with its own language. This is the reason Indonesians are comfortable embracing people from all over the world.

Another thing these travels taught me was that when it came to the distribution of goods, all roads led to Jakarta. Products made across Indonesia were brought to the capital, where they were sold to customers.

There was also a wealth of imported goods available in the city. I became convinced that I had to go to Jakarta if I was to run a big business.

I was 22 and my father wanted me to get married and start a family as soon as possible.

My father saw a prospective bride for me in a girl named Chen who lived in Malang. He tried to arrange my marriage with her, but I told him I had no intention of marrying her.

My heart was set on Limei (Suryawati Lidya), whose letter to me while I was in Hong Kong had made me think twice about my plans to travel to Yan'an. Her letter saved my life -- a fire broke out on the ship that I was supposed to embark on, killing everyone on board.

But my father strongly opposed me marrying Limei, because both Limei and myself had the same family name. According to an old Chinese custom, it was taboo for two people with the same family name to marry each other.

Since I did not want to upset my father, I decided to avoid talking about marriage in front of him for a while.

Limei's mother also opposed the idea of us marrying. She had heard how I ran around trying to support Indonesia's war of independence and was sure that I could not be a "decent person." She assumed that I was vulgar and rough-mannered, so I had my work cut out for me trying to persuade her to allow me to marry her daughter.

I mustered up the courage to go to Jember in East Java, where Limei and her mother lived, to do what I had to do.
I won over my future mother-in-law with sound advice for her shop.

The first time I visited the home of my girlfriend, Li Limei (Suryawati Lidya), it was to win her mother's permission to marry. Her home was in Jember, a town near the eastern tip of Java, further east from Malang, where I lived.

Her family ran a general shop located in the busiest part of Jember's main shopping district. It used to be a Japanese-run store, but her family acquired it after Japan's defeat in World War II.

Limei's father had already passed away, so her mother and older brother ran the shop. It was a fairly large space for a shop in those days, measuring 14 meters wide and 50 meters deep. The family only used the front 7 meters or so for their business, however, leaving the back part empty.

After a brief look inside the store, I decided against talking about marriage immediately and instead pointed out the wasted floor space.

Her mother retorted, saying, "What does that have to do with you?" I ignored her and said, as if talking to myself, "It's too bad. Such a waste of store space, it's a great loss."

Impressed by my advice for her store, she invited me to her home and cooked dinner for me. We talked about her business until late into the night, and I ended up staying over at their house.

The next morning, as I was about to leave, I asked Limei's mother to give her blessing for our marriage. She approved on the condition that I help her with the shop in Jember for three years. After thinking about it for a moment, I agreed. I had won over my girlfriend's mother by talking business with her.

My father also opposed my marriage with Limei, and I kept him in the dark about our plan for a while. When I finally told him about my intention to marry her several months later, he gave his permission, saying, "Do as you please."

But I did not tell him about my agreement with Limei's mother. I successfully pleaded with my relatives to open an ice candy shop in Jember and went to live there under the pretext of working at their shop.

I worked with Limei, her older brother and mother to expand the family's business. Three years passed, and all went well. But I had no intention of spending the rest of my life in Jember.

While traveling around Indonesia, I had decided that one day I would go to Jakarta to seek my success in business.

My father was worried about my plan, asking what I could do in a city where I had neither money nor connections.

I wanted to leave the small town where I lived and try my hand at doing business in a major city. My granduncle (my grandfather's cousin) in Surabaya supported my plan and offered to help me. "A bonsai tree can never become large," he said. "A tree needs open space to grow and thrive."

In 1954, I went to Jakarta with little more than the shirt on my back. I was 25.
Jakarta has historically been a bustling trade hub with a large ethnic Chinese business community. (Photo courtesy of the National Archives of Indonesia)

Importing electronics led to me operating a successful shipping company.

I went to Jakarta to start my own business, but I trod carefully at first.

In those days, many ethnic Chinese who had come to Indonesia from my father's home region of Xinghua, in China's Fujian Province, were in the business of selling bicycles or related products. Deciding to start selling bicycle parts, I began studying the local network of parts suppliers.

I soon heard that Medan, a city on the island of Sumatra, was the distribution hub for bicycle parts. When I visited Medan, however, I found that the hub was actually Langsa in Aceh, located further northwest and across the Strait of Malacca from Malaysia.

I traveled on to the port of Langsa and was surprised to discover that it was a small town with only two streets.

All of the inns, however, were packed with merchants, and there were piles of containers stacked up at the small port. Various goods were imported from Singapore into Langsa and then shipped on to be sold in Jakarta.

During the era of the Dutch colonial rule, development of what is now Indonesia focused mainly on natural resources and agricultural products. As a result, development of the colony's metal and machinery industries lagged. This meant that bicycle parts had to be imported from other countries via Singapore.

I wondered why such a rural town was used as the transit point for imports. As I did more research, I found that it was due to Langsa's unique customs duty system, which was different from the system in the rest of Indonesia.

Generally, customs duties are levied according to the value of the imported goods. In Langsa, however, they were based on the volume of the container in which the imports were carried -- the content of those containers was not checked.

The Republic of Indonesia was officially born in 1950, but four years later there were still areas of the new country that the central government had yet to control.
Indonesia’s first president, Sukarno, right (Photo courtesy of the National Archives of Indonesia)

I lost my father and nearly went bankrupt, but my wife’s support saw me through

My trading and shipping businesses achieved a measure of success.

In the autumn of 1958, however, my father started to look unwell. His appetite faded and he began to lose weight.

I had him examined at several hospitals, and his condition was diagnosed as gastritis. But even though I took him to Singapore for medical treatment, his condition failed to improve.

Finally, when he was X-rayed at a hospital in Surabaya, it was found that he had cancer of the esophagus.

At that time, there were no hospitals in Indonesia that could provide adequate treatment for cancer, and my father was forced to live in pain. He sought treatment from doctors of traditional Chinese herbal medicine who had come from China and even from an Indonesian shaman in Malang, but nothing worked.

The pain made my father irritable, but when I finally told him the truth about his condition, he suddenly became calm and quiet. He stopped eating and taking medicine the next morning. Two days later, on Aug. 22, 1959, he breathed his last.

I was away from my trading business for the two months leading up to my father’s death. During that period, a serious situation had developed.

Indonesia’s first president, Sukarno, adopted an economic policy focused on growth driven by state-run enterprises. But his economic program, combined with an inefficient administrative system, caused the fiscal deficit to balloon, resulting in a period of rapid inflation that began in the late 1950s.

On Aug. 25, three days after my father’s death, the Sukarno administration announced a sharp devaluation of the country’s currency. Under sanering, or “currency remediation,” as the policy was called, 1,000-rupiah bank notes were now worth 100 rupiah, and 500-rupiah bills worth 50. The government also capped the amount of money that people could withdraw from their bank accounts.

Prices of goods, however, remained unchanged. This meant that those with money suffered losses. The program was aimed at curbing inflation by weakening the purchasing power of the rich.

As the value of my cash reserves fell, it became impossible for me to keep up with my debt payments.

For the first time in my life, I was on the brink of bankruptcy. Instead of cash I offered to give my three creditors my house and inventory, but they declined.

Well aware of my situation, the three creditors granted me a moratorium on my payments.

Because the rupiah’s effective exchange rate against the U.S. dollar also fell sharply, it would have been impossible for me to even cover the cost of the goods I had imported if I sold them in rupiah.

But I didn’t panic. I decided against trying to sell the items right away, hoping that prices would eventually start rising. Half a year later, as I expected, prices were higher than the import cost and I could again sell my goods at a profit.

I was honest with my wife, Li Limei, about the dire situation of my business and asked her to try to save money.

We had four young children, and my wife not only consoled and encouraged me, she also secretly began to sew children’s clothing. She had no sewing skills to speak of and had to learn the art from scratch.

Her plan was actually to sell the clothes to help us make ends meet. Fortunately, her items proved very popular and sold well. She then bought a sewing machine and hired workers to increase the output.

Our house started to look like a sewing factory. She eventually started contracting out some of the work to homemakers in the neighborhood. Her support allowed me to concentrate on my own businesses.

I was able to pay off my remaining debt earlier than expected. My three creditors said I didn’t have to pay the interest that had accrued during the grace period they gave me, but I did anyway.

That was because of the advice my father gave me immediately before he died. He told me not to cause any trouble to others and not to take anyone else’s profits. I faithfully followed that advice.
My Personal History

14 Achieving my childhood dream of becoming a banker

September 23, 2018 11:01 JST

When I was in elementary school, there was a magnificent Western-style building in Malang, my home village in Java. The building turned out to be a bank.

The people inside were all well-dressed and always busy at work, but the place didn't seem to sell anything. Mystified, I one day asked the principal of my school, Luo Yitian, what kind of business it was.

He told me that it was a bank opened by the Dutch and explained the banking business to me. Banks accept deposits from people, paying them interest on their savings, and use that money to make loans to merchants at higher rates of interest. Banks make profits by acting as financial intermediaries, he said. His explanation made me feel that I sort of understood banking. I thought what a good business it was: earning profits simply by moving money from some people to others.

As a child, I developed a dream of opening a bank when I grew up. Every time I passed by that splendid building, I looked inside and imagined myself working as a banker.

As I grew a little older, I started to learn more about banks from what I read in newspapers and books.

I said to him, was to buy and sell credit, not money. "If you have credit, you can become a banker without a lot of capital."

In 1959, a friend of mine named Wu Wenrong gave me welcome news. He told me that Bank Kemakmuran had fallen into financial trouble and was looking to build up its capital. I went to the bank to negotiate a purchase of its shares. I agreed with the owner to pay $200,000 for a 66% stake in the bank. The problem was I didn't have the money.

I persuaded the father of Wu Wenrong and four other Chinese to join me and buy the stake together. After our acquisition of the bank, I became its chairman and general manager.

Thus my dream came true. On my first day as the bank's chief executive, employees brought the bank's financial statements to me. I perused the documents, trying to figure out what the numbers meant. But it was beyond my comprehension. Finally I just signed the statements, pretending that I understood them.

A banker has to be able to understand financial statements, so I asked a head accountant at a foreign bank to teach me accounting. Initially I didn't even understand why accounting entries had to be divided into two categories -- debits and credits.

I found that learning about accounting and finance through day-to-day operations at the bank was more efficient than learning from books. I watched how money actually moved through the bank and how those movements were recorded in the books. After half a year, I could make sense of financial statements.

I also applied myself to increasing the amount of deposits at the bank. First I asked friends and relatives of the bank's senior executives to deposit money. Then I approached friends and relatives of our new customers and asked them to open accounts.

Just 16 months after I took over, the bank that had been on the verge of failing was back in good financial health.

Unfortunately, ethical standards among the bank's senior executives were not very high. Many of them feathered their own nests by using money deposited at the bank to make loans in their own name, taking the interest as profit. I left Bank Kemakmuran.

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My Personal History
15 To build trust, find a trustworthy partner
September 24, 2018 11:01 JST

At that time, Indonesia was in a state of political and economic turmoil. Sukarno, a nationalist, adopted policies that antagonized foreign businesses, such as nationalizing the assets of Dutch companies. This caused production to falter. The Sukarno administration tried to tame runaway inflation by devaluing the currency, but the scheme backfired, causing the annual inflation rate to soar over 100%.

In addition to antagonizing the Netherlands, Indonesia under Sukarno also became embroiled in a conflict with the U.K. and Malaysia over ownership of the island of Borneo, or Kalimantan. Sukarno moved toward closer ties with the Chinese Communist Party, straining his country’s relations with the U.S. as well. At the end of 1965 the administration again devalued the currency, this time at a rate of 1,000 old rupiah to 1 new rupiah. But this measure, too, did nothing but worsen the economic turmoil.

Amid this political and economic upheaval, an attempted coup took place on Sept. 30, 1965, when a leftist group within the Indonesian military assassinated several army generals. The group was crushed by the rightist faction led by Suharto, a major general at the time. This faction then took over the military.

The incident damaged the clout of Sukarno, a leftist, paving the way for Suharto's rise to power in March 1966.

At the time of the power shift from Sukarno to Suharto, I was taking an evening course in economics at University of Indonesia while managing the bank. Through my studies, I became friends with economics professors who had returned home after studying in the U.S. While they were well-versed in economic theories, I knew how business actually worked. As a result, we had lively and intriguing discussions. Many of the professors I came to know during this period later joined the Suharto administration.

These professors predicted that Indonesia would shift from its socialist economic system to a market economy. They also said foreign businesses would come back and hyperinflation would come to an end.

Inflation made it easy for borrowers to pay off their debts, so banks in the country were willing to extend high-interest loans without collateral. But the era of high inflation was coming to a close.

Realizing that I had to prepare for a new era of low inflation, I started to take action.
I left Bank Buana's management team and in 1971 merged the three other banks into a new entity named Pan Indonesia Bank, also known as Panin Bank.

I took control of the management of Panin Bank, which became a foreign exchange bank. But I soon discovered misconduct among the senior executives. Some of them would use money from deposits at the bank to make loans to businesses for their own profit. When the borrowers failed to repay their debts, the executives put the bad debts on the bank's books. My relatives were also involved in these activities.

I handled the issue without making it public, but it made me ponder some basic questions about managing a bank.

What is my purpose in running banks? Do I only want to make them bigger? Should I care if our borrowers engage in unscrupulous activities? Shouldn't banks try to create wealth and jobs through their commercial lending? I decided I should become a good banker rather than just a successful one. In May 1975, I quit Panin Bank.

After purging all the Sukarno-era leftists from power, Suharto officially became president in 1968. Salim Group expanded its business empire on the back of the rapid economic growth of the Suharto era. This conglomerate was founded by Sudono Salim, also known by his Chinese name of Liem Sioe Liong.

Sudono was born in Fuqing in China's Fujian Province and immigrated to Indonesia. During Indonesia's war of independence, he supported pro-independence forces and came into contact with Suharto.

His conglomerate was involved in such businesses as soap making, spinning and cement production. Under the Suharto administration, the group acquired the exclusive right to import cloves (used to flavor a type of cigarette in Indonesia) and wheat. Its position as clove supplier gave the group control over the Indonesian tobacco industry.

I felt that my partner in banking should be someone with influence over the tobacco industry, which was one of the largest business sectors in Indonesia at the time.

In 1975, I happened to sit next to Sudono on a plane to Hong Kong. I seized the opportunity to tell him about my ideal bank. Then and there, Sudono decided to partner with me.
Given a free hand, I reformed everything from workflow to accounting practices. Under the government of Suharto, the sphere of activities for private companies expanded. I forged a business partnership with the fast-growing Salim Group in banking. The founder of the conglomerate, Sudono Salim (Liem Sioe Liong), was not highly educated, but he was remarkably intelligent. Whenever he became involved in a new business, Sudono would find the best person to manage it and leave everything to that person.

I wanted to create a clearing bank, that is, a bank involved in the system of finalizing or “clearing” financial transactions. Sudono supported my plan and entrusted me with the management of one of his group’s banks, Bank Central Asia. Sudono never intervened in the bank’s business operations.

In June 1975, I walked into BCA’s office and started studying its workflow. The tasks for each unit were described in great detail in massive documents. I turned these stacks of papers into simple diagrams that depicted the relevant workflow as a sequence of numbered tasks. Each of these tasks was described in a corresponding document. The system was designed so that even new recruits could understand and perform their tasks immediately.

Next, I set out to have documents concerning past business transactions sorted and organized. I found that the bank’s document archives was a mess. It was clear that nobody had checked the reams of documents in the office for years. For a bank, records of its past transactions should be a valuable source of future profit. I had the records of the bank’s operations from 1960 to 1974 organized by month.

I also revamped the bank’s accounting system. I changed the system so that its financial statements showed not only the bank’s total profit but also how much profit each transaction generated. With this system, when management trouble arose, solutions could be found by analyzing the information in these statements.

I employed leaders in local business communities and their relatives as senior executives at the bank’s local branches, and I trained them for their jobs myself. To help in my recruitment efforts, I ordered lists to be made of local business owners in the country’s six major industries in those days -- tobacco, textiles, construction materials, food, automobiles and bicycles. These lists included personal information such as facts about their families, hobbies, assets and character.

It took 20 months to complete these reforms. Starting in 1978, we focused our efficiency-boosting efforts on computerization. It was a complicated task requiring both manpower and time, but I pushed ahead with the project without a moment’s hesitation.

In the Taoist classic “Tao Te Ching,” the ancient Chinese philosopher Laotzu says, "All difficult things arise from that which was easy, and all great things from that which was small." Laotzu also says, "A journey of a thousand miles starts with a single step."

The success of a business depends on how solid its foundation is. Until 1985 Indonesia’s telecommunication infrastructure was extremely poor and transferring money between banks could take as long as 40 days. Against this backdrop, BCA introduced a next-day remittance service. Since there was no well-developed telecommunication infrastructure, we decided to use trains and other public transportation to carry remittance documents between branches. This service helped convince many new customers to open accounts at BCA.

Many large companies, however, were still unwilling to do business with us. We sought to establish a relationship with Gudang Garam, which was then Indonesia’s largest cigarette maker, but to no avail. Even Sudono was unable to win over the company despite his huge clout in the tobacco industry.

I opened a branch near the company’s head office and assigned a very sociable executive to work there. This executive soon started playing badminton and tennis with Gudang Garam’s financial and sales managers. After a year or so, BCA started doing business with the tobacco company through the two executives.

Another tough nut to crack was Unilever’s Indonesian unit. I again assigned an employee to develop personal ties with Unilever’s executive in hopes of winning over the company, but the strategy did not work this time.

Changing tack, I ordered that reports on BCA’s favorable exchange rates and next-day remittance service be sent to the company by telex every day. After a year or so, Unilever contacted us.
For years, Indonesia suffered from a shortage of foreign currency. In the 1950s, when I was engaged in trade, it was difficult for Indonesian banks to even issue letters of credit. This situation forced Indonesian trading companies to rely on financial institutions in Singapore or Hong Kong for financing. The situation remained mostly unchanged in the 1970s.

In 1975, I took over the management of Bank Central Asia, the banking unit of Salim Group. I had aspirations to grow the bank into an international financial institution capable of settling foreign exchange transactions. I set up a finance company in Hong Kong for BCA's financing operations, but it was only a small business. I started to think about acquiring a creditworthy U.S. bank.

In those days, ethnic Chinese business owners in Southeast Asia frequently made business trips to Taiwan, as well as Singapore and Hong Kong. I would visit Taiwan at least several times a year.

In 1976, I was invited to attend a dinner party thrown by Yu Kuo-hwa, the governor of Taiwan's central bank at the time. The guest of honor was Robert Anderson, a former U.S. Treasury secretary.

I took advantage of the opportunity to get acquainted with Anderson and told him about my desire to buy an American bank. The following year, I received a phone call from him. He informed me that a major shareholder was looking to sell a large stake of a bank in Georgia called National Bank of Georgia. Anderson also told me that a man named Jackson Stephens, who managed an investment bank in Arkansas, was the broker for the shareholder.

I immediately flew to the U.S. and struck a deal to purchase the shares from the investor. Before I signed the agreement, however, the deal was leaked to a newspaper. The shareholder seeking to sell shares was Bert Lance, a big-time supporter of President Jimmy Carter who had become the administration's budget director.

Lance had promised to divest his stake in the bank in order to avoid a conflict of interest in his new government position, but he had been unable to do so due to a stock market tumble. The newspaper article reported on the deal as if it were an attempt to help the Democratic Party out of the bind.

Alarmed by the possibility of the Indonesian government becoming embroiled in political trouble in the U.S., the finance minister asked me -- through Sudono Salim, the chief of Salim Group -- to abandon my planned purchase.

Although I failed to buy a stake in the bank, I acquired a close friendship with Stephens, the broker, which would serve me well in the future.

In 1980, Stephens helped me acquire a stake in Union Planters National Bank of Memphis in Tennessee. Through a secret deal I bought a 4.9% stake in the bank.

I invited the bank's senior executives to visit Japan, Hong Kong, Singapore and Indonesia. After seeing firsthand how rapidly the economies of these countries were growing, they decided to expand the bank's operations into Asia.

The U.S. bank and the BCA group jointly set up a finance company in Hong Kong, with both sides providing half of the capital. The partnership enabled our banking unit to provide financing on a far larger scale, making it much easier for our Indonesian corporate customers to raise funds in foreign currencies.

At this point, BCA was ready to start doing business in the U.S. But we couldn't expect ethnic Chinese doing business in the U.S. to become our customers because they already had accounts at U.S. banks. Chinese who had immigrated more recently from Hong Kong to the U.S. likewise already had accounts at Citibank and HSBC.

Sudono objected to my plan to expand BCA's business into the U.S., but I tried to convince him that my idea was workable. I pointed out that in addition to a dozen or so major banks, there were also more than 10,000 small and midsize banks operating in the U.S. There must be ways, I argued, for small banks to operate profitably in the country.

I decided our banking business in the U.S. should mainly target the huge number of Vietnamese Chinese who had fled to America after Vietnam became a communist country. Many of them ran small retail shops, and I thought our bank could help them open shops and buy goods.

In 1985, BCA opened a branch in New York.
https://s.nikkei.com/2NV2pO8
My Personal History
19 My debt of gratitude toward Li Ka-shing
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https://on.ft.com/2ykS1Wi

The generosity of Hong Kong's richest man opened up countless opportunities for me

Li Ka-shing is the richest man in Hong Kong. Li immigrated from his hometown of Chaozhou, in China's Guangdong Province, to Hong Kong and made his fortune in real estate and infrastructure. I first met him through a friend around 1971. We developed a close friendship and would dine together whenever I traveled to Hong Kong.

Probably sometime in the first half of the 1990s, while we were eating lunch at Li's office in Hong Kong, I asked him if he knew any good property to invest in. He suggested that I buy a building on Nathan Road, the main thoroughfare in Kowloon. It was operating as a hotel and owned jointly by Li and a foreign construction company.

Li said that investing in the property was sure to bring a profit because the location was good. The price was about 900 million Hong Kong dollars (about $115 million at current rates). The top executive of the construction company also agreed to sell the building to me. When we were about to sign the deal, however, the construction company said it wanted to cancel the sale.

A would-be purchaser from China had apparently offered to buy the building for HK$80 million more than I had offered to pay. Li told the construction company chief that he shouldn't break his promise even though the contract had not been signed yet, arguing that trust was vital in business. He even offered to pay the difference in price himself to try to convince the company head to honor our agreement.

Thanks to Li's mediation, I was able to buy the building for the originally agreed price of HK$900 million. Several months later, an ethnic Chinese businessman from Thailand expressed a strong desire to buy the building. I sold it to him for about HK$2.1 billion.


Seng Heng Bank was owned by Hong Kong businessmen and a Macau banker. After buying the bank, we discovered that the owners had sold it to us without disclosing the fact that it had a lot of undersecured and nonperforming loans.

The sellers feigned ignorance. The executive Stephens had dispatched to Hong Kong to handle the deal was furious and ready to file a lawsuit. But I advised against taking legal action, pointing out that Macau's judicial institutions would not necessarily make a fair and impartial decision.

I discovered that the Macau banker had close ties with China and thought he might be susceptible to influence from that country.

I asked the top official at Bank of China's Hong Kong office to help us deal with the problem. As I expected, the sellers agreed to negotiate the matter and offered real estate as compensation for the undersecured and bad loans.

I later sold the real estate when the market was good and made a profit. It was again Li who helped me out of trouble -- he was the one who introduced me to people at Bank of China.

Another unforgettable property deal I was able to make because of Li's generosity involved a unique building in Admiralty, a business district in Hong Kong.

At the end of the 1980s, the high-rise, then called Bond Center, was owned by Japanese property developer EIE International, which later had to sell the building when it fell into financial trouble.

As I inquired about buying the building, I learned that someone else had already expressed an interest in purchasing the property. That person turned out to be Li.

I called him and told him that I badly needed an office in Hong Kong. When I asked him whether he could help me with the matter, Li readily agreed to let me buy Bond Center. I bought it and renamed it Lippo Center. To this day it still soars into the sky on the island of Hong Kong.
I built close personal ties with Xi Jinping, left, who served as a political leader in Fujian Province before becoming China's president. (Photo provided by company)

After more than 50 years, I was finally able to return and help my father's village

In 1986, I set foot in mainland China for the first time since I left Nanjing 37 years earlier to escape the civil war between the Kuomintang-led government and the Communist Party.

Indonesian President Suharto sent a group of Indonesian business leaders to China on a diplomatic mission in hopes of improving and eventually normalizing bilateral ties. I traveled to Beijing as a member of the mission, acting in the capacity of managing director of Bank Central Asia.

As the representative of BCA, I signed a correspondent bank agreement with Bank of China in Beijing. Gen. Ye Fei entertained me in the capital. Ye was born to a Chinese family in the Philippines. He immigrated to China during his boyhood and made a name for himself as the leader of the Communist Party's guerrilla unit.

In 1986, Ye was vice chairman of the Standing Committee of the National People's Congress. Ye's family hailed from Fujian Province and he invited me, a native of that province, to dinner.

He asked for my views about China's economic policy. I condensed all the information I had about the issue into several problems with the country's economic policy: (1) nonmanual labor was undervalued; (2) wages were too low relative to the prices of goods; (3) the prices of goods were not determined by their value; (4) the official exchange rate of the yuan was too high; (5) China's laws, which demanded conformity, were unable to meet natural human needs.

As he listened to my words, Ye's expression grew stern. In 1986, the Communist Party had yet to totally embrace market principles. I regretted my remarks, thinking I had said things I shouldn't have.

The next morning, a messenger came to my hotel and asked me to go and meet the general. I feared that I might be taken to the police.

Speaking to a group of scholars, I pointed out problems with the Chinese economy, quoting from the books written by Marx and Engels I had read in my younger days. After my lecture, I learned that the attendees were reformist advisers to Premier Zhao Ziyang.

I then traveled to Putian in Fujian Province, my father's hometown. It had been more than half a century since I unwillingly left Putian, where I lived with my beloved grandmother, in 1935.

In Fujian Province, I was welcomed by local political leaders including the province's Communist Party secretary and the provincial governor. Expectations were high that I would invest in the province.

I walked around my father's village, where I had lived in my early childhood, and found the area even poorer than it used to be. It lacked sufficient electricity and running water.

This reminded me of what my grandmother said to me when I was a young child. She said that the villagers had no skills to make them wealthy, and told me to go abroad so that I could acquire the means to return and help the village. "You must go away in order to come back, my child," she said. I finally understood the true meaning of her words.

Electricity is vital for economic development. I crafted a plan to build a power plant in Meizhou Bay, which is located close to Putian. As a banker, I had become acquainted with some senior officials at the Asian Development Bank, an international financial institution for development headquartered in Manila.

I secured financing from the ADB and worked with companies from various countries to develop a $750 million project to build a power plant.

During this period, I built close personal ties with Xi Jinping, who served as party leader in various parts of Fujian Province from the 1980s until 2002 before later becoming president of China.

In 2000, the power plant began operating. That was the moment I finally fulfilled my grandmother's wish.
I grew Lippo Bank, seen here in the 1990s, alongside Bank Central Asia. (Photo provided by company)

Favorable conditions in Hong Kong opened up investment opportunities

Let me now talk about the genesis of Lippo Group.

I hit upon the name Lippo around 1960. Written in Chinese, the word is composed of two characters -- one, li, meaning "power" and the other, po, meaning "treasure."

For a while, I entertained the dream of expanding my business into the energy industry and coined the name Lippo to mean "the treasure of power" (in other words, "the source of money.")

Unfortunately, the Indonesian government refused to open the energy industry to the private sector and my dream never came true.

Nevertheless, I used the name for a trading services company I established. That was sometime from the late 1960s to early 1970s, I believe.

I was already managing a bank, but I faced a problem. Commercial banks in Indonesia at the time were unable to issue letters of credit for importers who were their customers.

This was because commercial banks in the country were not authorized to provide foreign exchange services, including issuing letters of credit. As a result, Indonesian importers would ask trade agencies in Singapore to obtain letters of credit from Singaporean banks on their behalf.

Seeing a business opportunity in this situation, I set up import agencies in Indonesia, Singapore and Hong Kong.

I named this business Lippo. Using Lippo to obtain letters of credit issued by overseas banks, I was able to help my banking customers with their import operations.

The bank I managed changed a number of times, from Bank Buana to Pan Indonesian Bank (Panin Bank) to others. But throughout all those years, I continued using Lippo to help my customers with their trade settlements.

Gradually, Lippo in Hong Kong began to perform the functions of an investment company. A major benefit was that it was much cheaper to raise foreign currency funds in Hong Kong than in Indonesia.

I teamed up with Jackson Stephens, who operated an investment bank in the U.S., to make various investments, including the acquisitions of Seng Heng Bank in Macau and Worthen Bank in Arkansas. All of these investments were made through Lippo in Hong Kong.

Lippo also helped us strengthen our ties with China. When I bought Hongkong Chinese Bank in the mid-1980s through Lippo, I had China Resources Group, a state-run conglomerate, agree to hold half of the bank's shares. When I decided to invest in a power plant project in Fujian Province, I arranged for Lippo to make the investment.

In the mid-1980s, I put my third son, Stephen, in charge of the management of Lippo in Hong Kong.

Lippo first grew in Hong Kong and later started operating its namesake bank in Indonesia. This story dates back to June 1975, when Sudono Salim entrusted me with the management of Salim Group's banking unit. Around the same time, I met a businessman named Hashim Ning through an economist friend.

Hashim Ning was managing a bank called Bank Perniagaan Indonesia, but it was in poor financial shape. When I offered some management advice for turning the bank around, Hashim asked me to join BPI's management. Since I had just agreed to manage Bank Central Asia, I declined his request.

Six years later, Hashim again asked me to become involved in the management of his bank. By that time, BCA had secured stable growth, so I decided it would be all right if I took over Hashim's bank.

I invited Sudono to join me and together we acquired a 49% stake in BPI in 1981. BPI merged with another bank at the end of 1980s and changed its name to Lippo. That was when Lippo Bank was born.

My second son, James, took the helm at the bank.

Now, I had come to effectively oversee the management of two banks -- BCA and Lippo Bank.
I developed a close personal relationship with President Suharto, right, through Sudono Salim. (Photo provided by company)

I rapidly expanded my bank branch networks after Indonesia's deregulation of 1988

A new era arrived for Indonesia's commercial banks in 1988, bringing with it unprecedented opportunities for growth.

In that year, the Indonesian government finally lifted the ban on joint banking ventures between domestic and foreign banks and eased the restrictions on the opening of branches by Indonesian banks.

I immediately started expanding the operations of the banks I managed, ordering them to open new branches around the country. My target was to open 150 Bank Central Asia branches and 100 Lippo Bank branches within a year.

Opening new branches wasn't hard as long as we could find places to set them up, but training enough employees to operate them was a big challenge.

One branch needed at least 40 employees. Achieving my goal opening 250 new branches would require quickly training 10,000 employees. My love of management theory helped me tackle this challenge.

I had long been enamored of the thoughts and theories of Frederick W. Taylor, an American inventor and engineer who was known as the father of scientific management.

Taylor preached the need to standardize working processes at factories. I applied his ideas to banking operations.

I standardized the tasks at bank branches as much as possible and codified them in manuals so that even new recruits could learn to perform them quickly.

I read books by such American thinkers as Alvin Toffler, John Naisbitt and Peter Drucker. They all predicted the advent of an "information society." Computers would play vital roles in this future, they said.

From early on, I became interested in information processing and network building. With the help of Jackson Stephens, an American investment banker and one of my business partners, I invested heavily in computer systems for my banks.

I became the first banker to introduce ATMs to Indonesia.
Lippo started building a new housing area on wasteland in Karawaci. (Photo provided by company)

Lippo got into the property development businesses in an unexpected way

I managed Bank Central Asia, the banking unit of Salim Group, for 16 years. The bank grew remarkably over those years, expanding to 600 branches by 1991 from just one originally.

Sudono Salim, the head of the conglomerate, held my management prowess in high esteem. When I told him I wanted to leave Salim Group, he strongly urged me to reconsider. Even President Suharto voiced his opposition to the idea.

Seeing that I was determined to strike out on my own, however, Sudono finally agreed to let me go my own way. I exchanged my shares in BCA for Sudono's shares in Lippo Bank under a deal designed to make Lippo an independent bank.

Around that time, Hashim Ning, the leading shareholder of Lippo Bank, and his heir both died, and I replaced them as chairman of the bank.

Lippo Bank opened a branch in California and grew to a leading banking institution rivaling BCA in Indonesia.

I had no intention of keeping the bank under owner management and recruited an outside expert to serve as its CEO. In addition to acquiring a life insurance subsidiary, the bank also set up joint banking ventures with Japanese and French peers. These steps were aimed at turning the bank into an international financial conglomerate.

I was immersed in the financial business, but an unexpected chain of events forced me to expand into another area.

A surge in interest rates around 1990 caused one of Lippo Bank's corporate borrowers to go under, leaving three tracts of land used as collateral for the loan in Lippo's hands.

These tracts of land, totaling 70 sq. kilometers in area, were located between 25 km and 59 km from central Jakarta. Not only was the location inconvenient, the land itself was a wasteland with no trees.

Since it was clear that there would be no buyer for these plots as they were, I had no choice but to develop them myself.

I visited Taipei, Manila and Kuala Lumpur to study property development projects in those cities. Good transport connections to the city center had allowed the suburbs of these capitals to develop. But the three plots of land that Lippo had acquired were all located too far from the Indonesian capital.

It seemed impossible to craft an effective strategy that would bring the benefits of development in central Jakarta to these areas.

Around that time, I traveled to Shenzhen to see how the city was developing and was inspired to use it as the model to develop Lippo's land.

Although Shenzhen is adjacent to Hong Kong, the city is far away from the central parts of Hong Kong Island. It is also remote from Guangzhou, the capital of Guangdong Province.

Until the Chinese government designated it a special economic zone in 1980, Shenzhen was a fishing village with a population numbering in the tens of thousands.

Factories were built in this sleepy, nondescript village, along with housing for the people who worked at them.

One of the three plots of land in Lippo's possession was in Karawaci, west of Jakarta. There were many plants operated by foreign companies in the area, but few houses suitable for foreigners.

I decided to transform the land in Karawaci into a new housing area. I started building a new town complete with a school, hospital, supermarket and golf course.

On the eastern wasteland of Cikarang, I decided to build an industrial park. This industrial park was divided into four areas for manufacturers from four Asian economies -- Japan, South Korea, Taiwan and Indonesia. A housing area was also developed for the workers at these factories.

The last plot of land, in the hilly Karawang area, was the biggest development challenge. It was too far from central Jakarta even for an industrial park, so I turned the land into a sprawling cemetery.

These projects transformed three tracts of wasteland into valuable assets.

The land development business is about more than buying and selling land like a real estate agent. At the heart of this business lies the question of how best to develop land to raise its value.

Land is to a property developer what raw material is to a manufacturer. The value of the material is determined by what the manufacturer makes with it. That value is what you sell.
A golf course in Sentul developed by Lippo Group (Photo provided by company)

Lippo was forced into a development project and suffered a bank run as a result.

Lippo Bank was hit by a crisis from a totally unexpected angle.

In the early 1990s, Lippo Group seized three tracts of wasteland as collateral in a debt default and developed them into various properties, including housing complexes and an industrial park. President Suharto's third son, Hutomo Mandala Putra (widely known as Tommy), learned about the group's property development projects and sought its help in developing land he owned.

There is a mountain range to the south of Jakarta. Nestled at its foot is Sentul, a place of great scenic beauty. There were rumors that the nation's capital would be moved there. Tommy had bought a huge amount of land in Sentul and was struggling to find a way to carry out his plan of developing it as a residential area. Eventually, he tried to get Lippo to do the job.

I declined his request because I felt that companies should keep their distance from politics.

President Suharto, who wrested power from Sukarno in 1966, had radically changed the government's economic policy and pushed Indonesia toward a government-led market economy. This had boosted the nation's economic growth.

Around 1985, however, it started to become clear that Suharto's government was becoming lax. The president's children had their hands in various businesses and the presidential residence was dominated by corrupt politicians.

Tommy sent State Secretary Moerdiono, who was known as a political wheeler-dealer, to pressure us into joining the Sentul development project. I found it difficult to keep turning him down and finally gave in.

I discovered that Tommy was connected to many bad and corrupt people. The man he had appointed as financial manager of the Sentul project started illegally demanding money from the project's contractors, including construction companies and suppliers of materials. If contractors rejected his forceful demands, he would refuse to pay for the work and materials contracted out to them.

The extortion scandal involving the financial manager bred rumors that Lippo Group was strapped for cash due to the development project. The story snowballed into a completely groundless rumor that Lippo Bank was on the verge of bankruptcy.

That sparked a run on the bank, with long lines of depositors forming at branches to withdraw their money. This was in 1995.

Several months before that, Bank Indonesia, the central bank, conducted an annual inspection of Lippo Bank and rated its financial health as class A, or superb. I wrote a letter to Bank Indonesia urging it to step in to dispel the false rumors. But I received no reply.

In the end, I visited the central bank myself and talked to its governor. I handed the governor the key to Lippo Bank's head office and a letter saying I would hand over control of the bank to Bank Indonesia unless it took action to deny the rumors.

A while after I returned to Lippo Bank I received a phone call from my former business partner Sudono Salim. He asked me to come visit him.

When I went to the head office of Bank Central Asia, the banking unit of Salim Group, I found the owners of five of the country's major commercial banks, including Sudono. They asked me how much money my bank needed.

They said they were acting at the behest of the central bank, which, unwilling to bail out Lippo Bank itself, had asked them to come to the rescue instead.

I told them that Lippo Bank did not need any financial support. Instead, I asked them to issue a statement to their branches to stop false rumors about Lippo Bank from spreading.

The managers of their branches were the ones who had been spreading rumors about Lippo's financial trouble in hopes of taking customers from Lippo.

I myself drafted a statement on the spot saying that the five banks confirmed the financial health of Lippo Bank and that their branches would provide all possible support to Lippo.

The statement was sent to their branches, making it impossible for their managers to spread false rumors about Lippo's financial trouble.

As I had expected, the run on Lippo Bank started blowing over the day after the statement was sent out.

As it turned out, however, we were in for another big shock -- the 1997 Asian financial crisis.
Five bank runs in 41 years convinced me to focus on less volatile businesses.

On July 2, 1997, the collapse of the Thai baht triggered the Asian financial crisis. I was at my home when the baht plunged. At first I did not expect this event to develop into anything serious. But it quickly grew into a full-blown financial crisis and spread to other parts of Asia. The value of several Asian currencies crashed relative to the dollar amid waves of sell-offs. Many Asian companies with large amounts of foreign currency-denominated debt defaulted and went under. While Thailand was ground zero of the crisis, the biggest victims were South Korea and Indonesia.

I believe now, as then, that this financial tsunami was created by a combination of speculative investments by U.S. funds and rumors of a looming currency crisis. In 1997, Indonesia was in relatively good economic shape. But rumors that the country's currency was going to collapse prompted many Indonesians to sell the rupiah. This heavy sell-off precipitated the crash of the currency. Unable to respond effectively to the situation, the embattled Suharto administration accepted financial aid from the International Monetary Fund in November 1997. This move, however, failed to defuse the crisis. The exchange rate collapsed to between 16,000 and 18,000 rupiah to the dollar in 1998, down from the 2,000 rupiah level before the crisis.

In May 1998, the government followed the IMF's advice and raised public utility charges. This sparked a wave of anti-Suharto sentiment among Indonesians that eventually led to riots and looting. Amid this economic turmoil, President Suharto resigned on May 21, bringing an abrupt end to his 32-year rule.

The situation grew even worse in the ensuing weeks. Amid intense economic, political and social upheaval, Indonesian banks were left with mountains of bad loans as one corporate borrower after another defaulted. Many banks suffered a run on deposits. Bank Central Asia, the Salim Group bank I had managed and expanded, received an injection of public funds and was put under state control.

Most major commercial banks were nationalized during this period. Lippo Bank managed to avoid this fate because it had pushed through reforms to build up its cash reserves following a bank run it suffered in 1995. Nevertheless, it now needed funds to deal with its huge pile of bad loans.

In 1999, Lippo Group sold 70% of Lippo Life to American International Group for $310 million. In 2000, at the turn of the millennium, I found myself deeply concerned about the future of Lippo Group. I had been involved in managing banks for 41 years and had experienced five bank runs during that time.

The political situation in a developing country seldom remains stable for long. Political turmoil often leads to economic turmoil, and that delivers a direct blow to banks. In short, developing countries are usually tough places to run a bank, and Indonesia is no exception.

Lippo Bank was under the strict supervision of Bank Indonesia, the central bank, and we had to obtain permission for every new business activity. We were a commercial bank, yet our chief executive had no freedom to make management decisions. Even when we wanted to open branches in the U.S. and Hong Kong we were subject to high capital adequacy requirements, simply because we were an Indonesian bank.

While many people may envy a bank manager's job, it entails endless trouble in a developing country. I thought about whether I would feel comfortable leaving such an onerous and stressful business to my children and grandchildren. After a lot of thinking, I decided to pull out of banking.

By the end of 2004, I had sold not only Lippo Bank but also most of my bank-related businesses in Macau, Hong Kong and the U.S. I decided to focus Lippo's operations on two areas: land development, and information and telecommunications.
Lippo began operating schools and hospitals as part of its shift to development.

Lippo Group pulled out of banking and made land development its core business.

In the 1990s, Lippo developed a new town on a tract of wasteland in Karawaci, located to the west of Jakarta. In planning the project, we placed a high priority on ensuring that the town would be able to provide residents with all of the services that are essential for daily life. A residential area must have the facilities to meet these needs.

We thought that eight types of facilities were essential: shopping malls with various specialty stores, supermarkets, movie theaters, play areas for children, hotels, hospitals and schools.

This meant that Lippo had to expand its operations into these eight areas. I decided to operate these businesses as independent companies and grow them into nationwide chains.

We could enter many of these business areas, including retail, through acquisitions or partnerships. But this approach could not easily be applied to schools and hospitals because operating these facilities was not yet a viable industry in Indonesia.

In 1993, we opened an elementary and middle school with classes taught in English in Karawaci. The school was named Sekolah Pelita Harapan (ray of hope). We recruited qualified teachers from the U.S. for the new school, and limited the number of students in each class to around 10 as part of our small-class policy. We also opened a school where classes were taught in Indonesian.

In the ensuing years, Lippo opened many such schools in the residential communities it developed and in doing so established school operation as a new industry. Later, we also set up a university called Universitas Pelita Harapan in Karawaci. It now has a range of faculties, including law and medicine.

For our medical business, we persuaded the operator of Singapore's reputed Gleneagles Hospital to open a hospital in Karawaci in 1996. Unfortunately, however, the hospital kept losing money and Gleneagles eventually withdrew from the business.

Lippo took over the money-losing hospital and operated it under the new name of Siloam Hospital.

An unprofitable business cannot be sustained for long, no matter how lofty its purpose. I set out to reform the management of the hospital.

As I had once done when managing banks, I drew up a chart showing operational workflows so that we could identify the factors behind the hospital's continued losses. It took a year and a half to complete this chart, but it helped us pinpoint wasteful practices and overlapping operations.

To cut costs, we replaced X-ray film with digital data and introduced stricter rules for purchasing and managing inventories of medical supplies. We even went so far as to reduce the number of items on the hospital cafeteria menu.

These efforts paid off, and the hospital started eking out a small profit. Lippo's hospital business has since grown into a national network of 32 medical institutions.

I also radically restructured Lippo's overseas operations, which were headquartered in Hong Kong. As the group changed its core business from financial services to land development, we moved its headquarters to Singapore in 2000. Hong Kong's real estate market was dominated by a small number of Chinese conglomerates, leaving little room for growth for newcomers.

In 2006, Lippo acquired Overseas Union Enterprise, a Singapore-based real estate developer that operated Mandarin Hotel on Orchard Road, Singapore's main shopping street. With its first floor being used as a large, old-fashioned hall, however, the hotel was failing to take full advantage of its prime location.

We remodeled the hotel's first through fourth floors into a shopping mall featuring brand-name shops and restaurants. This was opened up to hotel guests and local residents alike, so that anyone could enjoy shopping and dining out.

OUE bought the former head office of Singapore's DBS Bank and renovated the first four floors of the building to include commercial facilities such as gyms, clinics and shared kitchens. The property was reborn as a combined office and apartment complex serving both business and residential needs, sharply increasing the value of the old building.

Lippo had survived the Asian financial crisis of 1997~1998 and transformed itself into a new, real estate-focused group.
My Personal History

27 Grooming my sons as heirs to the Lippo empire
October 06, 2018 11:01 JST

I had James and Stephen hone their management skills in the real world

When I got married, I couldn't get a wink of sleep that night. I was tormented by the fear of death.

My three younger sisters all died in early childhood, and my mother died after a difficult delivery when I was 9 years old. The premature deaths of so many family members was profoundly traumatic. I couldn't stop thinking about what would happen to my wife and future children if I died early.

Fortunately, I have not been called to heaven and will turn 90 next year. I have been blessed with three sons and three daughters.

I have groomed my second son, James, and third son, Stephen, to take over Lippo Group. James is in charge of the group's businesses in Indonesia, while Stephen manages its overseas operations, including those in China, from Singapore.

I remember once watching a TV program showing how hawks teach their young to fly. In the video, a parent hawk grabbed its baby, flew high into the sky and then released it. If the fledgling hawk failed to fly and fell toward the ground, the parent would come to its rescue and catch it before flying upward again and releasing it for another try. The parent repeated this process again and again until the baby hawk had learned to fly.

Parents should push their children out into the world at some point and allow them to learn from their mistakes.

Believing that I should give my sons opportunities to acquire the skills they would need to manage a business on their own, I did not put James in charge of a company right away.

After graduating from the University of Melbourne in Australia, he joined a company manufacturing TVs and other home electric appliances in Jakarta. In 1984, I dispatched him to Arkansas, in the U.S., to manage Worthen Bank, a local bank we had acquired. I also gave him the opportunity to hone his management skills in Los Angeles and involved him temporarily in the management of Lippo Bank.

Through these years of business experience, including some rough patches, James has become a skilled corporate manager. He deserves the credit for Lippo's smooth transition to property development.

Stephen, my third son, attended a Chinese primary school in Singapore. Since I had decided early on that I would hand the reins of Lippo's overseas operations to him, I had him learn Chinese and English.

After he graduated from the University of Southern California, I sent him to Hong Kong to take charge of Lippo Group's overseas operations.

It was Stephen who proposed moving the headquarters for Lippo's overseas businesses from Hong Kong to Singapore after the Asian financial crisis.

Stephen also had his share of tough times in Singapore, where he failed numerous times to make a winning bid in government land auctions. Through these failures, he learned how to assess land prices properly and bid successfully in auctions.

Experiencing hardships like these has made him a talented corporate manager with a global perspective.

My family has grown over years. In addition to my six children, I now have 22 grandchildren and 56 great-grandchildren.

I have seen some Chinese family-run businesses weakened by feuds over succession. Avoiding such damaging quarrels requires good communication among family members. To strengthen our own family ties, we make annual trips involving many of the children and grandchildren. In early spring last year, we traveled to a resort town of Niseko in Hokkaido and enjoyed skiing. We made a trip to Bhutan in December.

I talk with my wife in Pekingese or Indonesian, but use Indonesian when I converse with James. I communicate with my grandchildren mainly in English.
My Personal History

28 The value of keeping politicians at arm's length

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I attended a ball to celebrate Bill Clinton's inauguration as president on Jan. 20, 1993. (Photo provided by company)

My son learned a hard lesson after donating to Bill Clinton's campaign

In the 19th century, during the latter Qing dynasty, there was a reputed business tycoon in China named Hu Xueyan.

Hu started out as an apprentice to a financier in Hangzhou, Zhejiang Province, and went on to amass a vast fortune through finance and trade. He used his financial muscle to control politicians and wield great power.

Hu was granted the rare privilege of wearing a special pointed, red-topped hat worn by high-ranking court bureaucrats, earning him the nickname Hong Ding Shang Ren, literally "red top merchant."

But Hu met with a miserable end. He became embroiled in a power struggle, his business floundered, and he died a disappointed man.

After reading a novel about his life, I became determined to keep a respectful distance from politicians.

Sudono Salim, the leader of Salim Group and at one time my main business partner, had close personal ties with Indonesian President Suharto, which helped him win various business permits and licenses from the government.

I could have easily started government-related businesses if I had sought Sudono's good offices. But I did not do so.

The last 10 years of the Suharto government were marked by rampant corruption, and I feared I would be forced to accept unreasonable demands if I became involved in businesses linked to politicians.

When Suharto resigned from power in 1998, Salim Group faced growing criticism about its cozy ties with the strongman and Sudono was forced to take refuge in Singapore for his own safety.

Among foreign political leaders, I developed close personal ties with former U.S. President Bill Clinton, whom I first met around 1984.

I, my American business partner Jackson Stephens and Sudono jointly acquired a bank in Arkansas called Worthen Bank.

Before a party to celebrate the acquisition, Stephens asked me if I wanted to meet the governor of the state. He called then-Gov. Clinton, who was in his 30s, on the phone, and 15 minutes later he came to see me.

I appointed my second son, James, as chief executive of Worthen Bank. Since the bank acted as an underwriter for bonds issued by the state government, James became Clinton's friend and jogging partner.

When Clinton ran for president, James, as one of his close friends, helped him collect political donations. James played the same role during Clinton's re-election bid.

But James became embroiled in a political spat, and his donations to the Clinton campaign were judged to be illegal. This incident taught him some important lessons.

I had repeatedly advised James to keep a certain distance from politicians. The trouble he experienced over his donations must have brought home to him the meaning of my advice.

I cannot forget my relations with Chinese President Xi Jinping, either. I frequently visited Fujian Province from the late 1980s through the 1990s, and I first became acquainted with Xi during this period. He was in his 30s at the time and serving as secretary of the Communist Party's Fuzhou Municipal Committee in the province.

Xi held various party posts in Fujian Province from 1985 until 2002, when he transferred to Zhejiang Province.

I was attempting to build a power plant in Meizhou Bay in Fujian Province, and I met with Xi many times in connection with the project.

During his stint in Fujian, Xi visited Indonesia three times. On one of these occasions, I welcomed him at my Lippo office in Karawaci. At that time, Lippo was developing a residential area in Karawaci, and I arranged for Xi to inspect the private-sector urban development project.

During his third visit to Indonesia during that period, I invited him to my home and served him local dishes from my father's hometown of Putian, in Fujian Province.

When you run a business you inevitably become acquainted with politicians. But I have adhered to the principle of maintaining a certain distance, even from those who have become my close personal friends.
I have supported various education and health care projects for people in remote areas. (Photo provided by company)

My faith, friends and business partners are all important parts of my life.

As this series of essays approaches its conclusion, let me talk about some more personal aspects of my life, such as my faith and my close friends.

I became a Christian in my 60s.

As a child, I often wondered why there was poverty and inequality in the world. The principal of my primary school in Indonesia was a staunch leftist and blamed these problems on Dutch colonial rule. As a child, I believed what my principal said and as a result harbored hostile feelings toward the Dutch.

It was impossible for me to have any favorable feelings toward Christianity because it was the religion of the Dutch. But my sentiment toward the Christian faith changed after I turned 60.

My children were educated in Australia and the U.S. and returned home as Protestants. Once, one of my children invited me to a Christian gathering. I reluctantly went along and found that the attendees were top corporate executives.

The pastor gave a sermon in which he preached that all humans were born with a sinful nature. This made me indignant. I had done many good deeds. I had contributed money to help build Buddhist temples, Muslim mosques and Christian churches. As a banker, I had given jobs to many people.

The questions the pastor posed to us, however, unsettled my mind. First, he asked if there was anyone in the audience who had never cheated the government. I found that I could not swear that I had never done so.

His second question shook my soul. "Who among you has never lied to your wife at some point?"

I had done something inexcusable to my wife. Tears flooded my eyes. I realized that I was indeed a sinful person.

Christian teachings showed me how to repent of sinful behavior, but I still resisted accepting Christianity. It took me a long time to embrace the faith. Eventually, however, I became a Christian and started attending church, even during trips.

Let me now touch on some of the people who have become my friends and partners.

Hong Kong business magnate Li Ka-shing has generously supported me in business many times. When Lippo developed land in Karawaci, west of Jakarta, Li helped us by becoming a shareholder of the development company. I still have no idea why he has been so kind to me. Perhaps it is because Li's forebears came from Putian, in China's Fujian Province, which was also my father's hometown. He may feel this created a bond between us.

Another business partner I can never forget is Jackson Stephens, the American investment banker who led me to start investing in U.S. businesses. He was a legendary investor based in Arkansas, which then had a population of less than 3 million.

Stephens focused on discovering promising businesses in the state and helping them expand nationwide. Walmart, Tyson Foods and J.B. Hunt are all headquartered in Arkansas and Stephens helped them go public and raise funds.

Although Stephens died in 2005, our families have maintained our ties of friendship. The eldest son of my second son James, John Riady, lived in Arkansas for a year and a half and cultivated personal ties with the grandchildren of Stephens.

I also have a new friend in the business world, Jack Ma Yun, executive chairman of Alibaba Group Holding, the Chinese internet behemoth.

In 2016, I visited Ma in Hangzhou, Zhejiang Province. We had such a lively conversation that our meeting, originally scheduled for 8:30 to 11 a.m., actually continued until 5 p.m.

Ma then invited me to his home to continue our discussion, and we ended up chatting until 9:30 at night. We talked for a total of 13 hours, mainly about the future of the information technology industry.

It seems that I am good at cultivating relationships with people who are either much older or much younger than myself.

When I was young, I formed friendships with people older than me, such as the leader of a guerrilla group fighting in Indonesia's war for independence. Now, as an old man, I have many young friends like Ma.
Lippo Group is building a new high-tech city called Meikarta, seen here in April, in Indonesia. (Photo provided by company)

The new era of digital banking rekindled my interest in the sector

When I pulled out of the banking business in the wake of the 1997 Asian financial crisis, I had no intention of ever returning.

After Lippo Group sold off its banking business, we decided to focus on two areas as our core businesses -- land development and the information and telecommunications industry.

As a land developer, the group needed to branch out, not only into retail but also into operating schools and hospitals. Still, I had no plans to re-enter the banking sector. In the telecom market, the group has been preoccupied with new businesses, including a mobile phone venture.

Several years ago, however, Lippo happened to acquire a small bank called Nobu National Bank in response to a request for help from one of my friends.

My friend had wanted to buy the bank, but Bank Indonesia, the central bank, refused to approve the acquisition. My friend asked me to buy it for him under my name.

When the acquisition came to light, the media trumpeted the news with headlines declaring that Lippo had returned to the banking scene. The way I looked at it initially was that I was simply letting my friend use my name, but gradually I became seriously interested in managing a bank again, given this new era of banking.

The growing use of digital technology is transforming banking into a kind of telecom industry as the sector as a whole moves toward electronic banking.

In Indonesia as in other parts of the world, online shopping has become part of the mainstream retail industry. Our retail unit has also set up an e-commerce company.

The rapid growth of online shopping is also driving the spread of electronic money and mobile payments.

Lippo Group has turned Nobu Bank into the core unit for its cutting-edge financial services, including e-money services. The transformative power of digital technology has sparked the fusion of retail, telecom and financial services.

Another example of digital transformation is in the hospital business.

Indonesia is an archipelago composed of more than 10,000 islands. Apart from a few large cities, the level of medical care in the country is very low.

Even if such medical equipment as X-ray machines, CT scanners and MRI systems are available, there are not enough doctors and experts, including radiographers, who can use them to diagnose diseases.

We are exploring the possibility of using artificial intelligence rather than human experts to perform diagnoses. Two business areas that we once considered to be completely distinct -- IT and hospital operations -- are fusing into one.

I mentioned Meikarta, a new city that Lippo is developing in a Jakarta suburb, at the outset of this series. The city is a comprehensive development project that involves all of Lippo's businesses, and we expect various fusions will take place there.

Lastly, let me give a brief overview of Lippo's overseas operations. In Southeast Asia, Lippo Group operates real estate businesses in Singapore, Malaysia and the Philippines. The group is growing its hospital operations in Myanmar and Vietnam, and it is expanding its partnerships with Japanese and Chinese companies in the hospital business.

Lippo Group also has office buildings and shopping malls in major Chinese cities and commercial properties in Australia.

Lippo once expanded its banking business into the U.S., and currently owns a skyscraper in Los Angeles.

Why has a company based in Indonesia, a developing country, been able to expand its operations on such a global scale? The answer can be found on by looking at a map.

To the east of Indonesia is the Pacific Ocean, a huge expanse of water stretching to the U.S. To the north of the country is the Asian continent including China, while Australia is located to the south. To the west of Indonesia is the Indian Ocean, which stretches to India and Africa.

Indonesia is located where the Indian Ocean meets the Pacific, the place where the world's two economic growth centers intersect and connect with each other.

In other words, Indonesia is a country where Eastern and Western cultures meet and fuse. Some 260 million people live in this country, and the ranks of middle-class consumers are continuing to grow.

Indonesia has an immeasurable potential. I strongly urge anyone who has read my life story and developed an interest in Indonesia to pay a visit to the country.