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# **Policy of Free Trade and Free Ports in the Straits Settlements in the Late Eighteenth and Early Nineteenth Century**

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by

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British interest in the East began before the formation of the East India Company in December 1600. During this period, they had to compete with foreign powers such as Portugal, Dutch and Spain.<sup>1</sup> In the eighteenth century, Britain had to compete with another emerging power, France.<sup>2</sup> The French Revolution and the emergence of Napoleon Bonaparte changed the political scenario. Napoleon's Continental System denied English goods and ships into European market and this prompted her to look to the East. In the eighteenth century, the Industrial Revolution<sup>3</sup> produced a surplus that required Britain to look at the markets in the East, the West Indies and other parts of the world.<sup>4</sup>

### **BRITISH INTEREST IN THE STRAITS SETTLEMENTS**

British interest in the Malay States, particularly the Straits Settlements, began since the eighteenth century. The need to expand their influence in this part of the world was related to trade relations with China.<sup>5</sup> East India Company's (E.I.C.) trade with China developed from the desire to gather luxury goods such as tea,<sup>6</sup> silk and porcelain. The E.I.C. that enjoyed monopoly of trade with China wanted the trade to be protected and expanded. The luxury trade with China forced the E.I.C. to look for a port of call around the Malay Archipelago to facilitate the docking, repair and provision of its ships and to wait for the suitable monsoon wind to bring them to China or back to India.<sup>7</sup> The need to find a port was intensified because the trade route through the Straits of Malacca was occupied by the Dutch in Malacca. The Straits of Sunda, another important trade route, was also controlled by the Dutch at Batawi.

The requirement for a calling station in the Straits of Malacca was also due to the desire to protect the trade route to China. It would also play the role as the transshipment center for Malay Archipelago goods to be sent to China<sup>8</sup> and as an military base to fight Dutch and French influence.<sup>9</sup> In addition to the above, a port in the Malay Archipelago was also required to balance the trade with China which was not in favour of England. In the 1780's at least 700,000 pounds sterling in bronze was sent yearly from England in exchange for Chinese goods.<sup>10</sup> The Chinese did not want to exchange their goods with woolen with was England's main export item; but they were willing to accept silver bullion and Straits Produce such as tin and pepper. Besides produce from the Malay Archipelago, opium from India was another item used to reverse the balance of trade which had been to China's advantage.<sup>11</sup>

### **LOCAL AND EXTERNAL FACTORS THAT INFLUENCED THE DEVELOPMENT OF FREE TRADE AND FREE PORTS IN THE STRAITS SETTLEMENTS**

The need to balance the trade with China was the prime factor why Penang and Singapore were occupied. To ensure that the settlement would be able to gather the produce of the Malay Archipelago, the British used the strategy of Free Trade and Free Ports. Free Trade is an international trading condition whereby a nation does not impose duty or any other measures in the goods imported from

other countries. International trade theory shows that trade for the world as a whole will bring profit if there are no restrictions such as tariff, quota etc. However, at no period in history was trade between states was totally free.<sup>12</sup> A Free Port is a port open to foreign and local traders with the goods brought in which are exempt from tax. *Encyclopedia Britannica* defines Free Port as, "A free port or free zone within a port is an area within which goods may be landed, handled, manufactured and reshipped without the intervention of the customs authorities. The defined area is subject to all the usual laws concerning health, labour conditions, inspection of vessels, immigration and postal service but is entirely exempt from customs".<sup>13</sup> What prompted England to take such a step? What were the local and external factors which influenced her policy? The objective of this paper is to highlight the fact that besides the scenario in England which influenced the development of Free Trade and Free Ports, there were also internal factors which were equally important in influencing this development.

There are six factors which influenced the British government to implement a Free Trade and Free Port policy in the Straits Settlements. These factors can be divided into local and external factors. The internal factors are: the experience of the Malay Archipelago trading with the outside world, the importance of Malay Archipelago tin, and the role of "country traders". The external factors are the end of the old colonial system in Manila and the influence of the West Indies free ports.

### THE EXPERIENCE OF MALAY ARCHIPELAGO TRADE WITH THE OUTSIDE WORLD

In the process of finding a settlement in the Malay Archipelago, the British had to take into consideration the experience of the Malay Archipelago which already had trade links with the outside world before the modern age. Local conditions suited the strategy of Free Trade and Free Ports which would be used by the British to develop the Settlement in the Malay Archipelago.

Before the arrival of the Europeans, the Spice Islands formed a well structured regional trade network.<sup>14</sup> A number of important ports emerged in the Malay Archipelago, like Pedir, Pasai, Sri Vijaya, Demak, Tuban, Makasar and Malacca.<sup>15</sup> These ports functioned as free ports and traded without restrictions.<sup>16</sup> Beginning from the fourteenth century, five trade zones emerged in the

Straits Settlements.<sup>17</sup> The first trade zone was the Bay of Bengal which began at the Coromandel Coast, South India and included Sri Lanka, Burma, the Northern Malaysian Peninsula and the North and West Coasts of Sumatra. The North and West Coast of Sumatra became important in the years after 1300 due to the world's great demand for pepper. The entrepôt port of Samudra Pasai on the east coast became an important supplier of pepper for the traders from East and West.<sup>18</sup>

The second trade zone, the Straits of Malacca, became important in the fifteenth century due to the political protection it received from China. After the 1430's the development of Malacca no longer depended on China's support but more on its trade and relations with Java and the South East Asia regions.<sup>19</sup>

The third trade zone comprised the east coast of the Malay Peninsula and the sea of Southern Vietnam, the area bordering the Gulf of Siam. Ayudhya was a growing power in this zone. It was formed in the early fourteenth century and started to export rice to Malacca in the fifteenth century. It played the role as a trading centre for trade with the Philippines and China.<sup>20</sup>

The Sulu sea represented the fourth trading zone. The areas which it comprised included the West Coast of Luzon, Mindoro, Cebu and Mindanao in the Philippines and the northern coast of Borneo. All these places functioned as trade links with China and the Spice Islands in South-East Asia. The Spice Islands were producers to agricultural products such as nutmeg, mace, cloves, and sandalwood which were sent through the Sulu Sea to China and Thailand in the north; Java and Malacca in the West.<sup>21</sup> The channel of Java sea represented the fifth trade zone. It consisted of the Island Straits of Sunda, the island of Maluku, Banda, Timor, the West Coast of Borneo, Java and the west coast of Sumatra.<sup>22</sup>

When the Europeans came to the Malaya Archipelago they did not create new trade routes, in fact they made use of the old ones.<sup>23</sup> All the ports which were located in these trade zones, such as Malacca,<sup>24</sup> Aceh, Pasai, Bantam, Macassar, Ayudhya and other ports experienced a rapid progress in trade.<sup>25</sup> The freedom in trade enabled the ports to attract traders from East and West and functioned as a political, economic and social centre.<sup>26</sup>

With the existence of a trading network in the Malay Archipelago and together with the elements of Free Trade and Free Port, it encouraged the British to develop Free Ports in the Malay Archipelago in the late eighteenth and

early nineteenth century. The emergence of Penang and Singapore as free ports was based on these factors.<sup>27</sup>

### THE IMPORTANCE OF MALAY ARCHIPELAGO TIN IN THE DEVELOPMENT OF FREE TRADE AND FREE PORTS IN THE STRAITS SETTLEMENTS

The need to find Eastern products to balance the trade with China also influenced the development of Free Trade and Free Ports in the Malay States. To gather the goods of the Malay Archipelago, the British had to pioneer a liberal free trade policy in order to attract local traders from these ports to their ports. This fact was agreed upon personally by Francis Light at the time when he planned to occupy Penang. According to him:

*... to force, in a manner, merchants to send their commodities here in preference to old accustomed markets, great allurements must be given in advance, the freedom of the Port, security of property, convenient repositories, liberty of traffic and gentle treatment.<sup>28</sup>*

The products of the Malay Archipelago, especially tin, managed to balance the trade with China to a certain extent.<sup>29</sup> This view was confirmed by James Scott, a "country trader" in the eighteenth century. According to Scott:

*In 1799 we [country traders] exported from the Straits of Malacca 40,000 pikuls of tin and 10,000 pikuls of pepper, four-fifths of which went to China, along with gold dust, and birds nests, and it realized about twenty lacs of rupees. The Eastern trade is the only one which draws specie from China and there are great benefits to be obtained by expanding this trade.<sup>30</sup>*

The need to gather tin became more important when the Dutch attempted to sign monopoly treaties with the Malay rulers.<sup>31</sup> It became more urgent when Riau fell to the hands of the Dutch in 1784. Before occupying Penang, efforts were made to find settlements at Ujung Salang, Aceh and other places.<sup>32</sup> The occupation of Penang by Francis Light truly helped in balancing the trade with

China. This was the view of W.E. Phillips, Deputy Governor, Presidency of the Prince of Wales Island.<sup>33</sup>

*In a commercial view, Fort Cornwallis is an entrepot for the merchandise of the East and West of India, it affords a ready and safe means for the barter of opium, piece goods and other commodities of the continent of India, and tin, rattans, betelnut, and pepper of the Malayan countries suited to the China market. These items are bartered for teas instead of our being enabled to procure all such articles for specie alone as was in a great measure, the case previous to our occupation of this most convenient Post.<sup>34</sup>*

The rapid growth of trade in tin and other produce of the Malay Archipelago became more significant at the end of eighteenth and early nineteenth centuries. With the practice of Free Trade, the British managed to bind all the Malay States under their authority.

The need to collect the products of the Malay Archipelago became more important with the end of the East India company's monopoly with India in 1813. Private traders started to expand their trade and this development brought to the founding of Singapore in 1819, developing into the regional meeting place of private traders to collect the products of Malay Archipelago for further transshipment to China.<sup>35</sup>

*The occupation of the island of Singapore by the British, and the policy pursued by them ever since has caused a revolution of opinion throughout these islands; the state of trade has changed, and nearly the whole of the natives have thrown their resources into another channel.<sup>36</sup>*

In short, the policy of Free Trade and the development of Free Ports in the Malay Archipelago attracted local traders<sup>37</sup> with the products of the Malay Archipelago to the port of Penang and Singapore. It also managed to gather products of the Malay Archipelago especially tin<sup>38</sup> to balance the trade with China. From the total amount of tin which was exported from Cornwall to Canton, almost half originated from British colonies.<sup>39</sup>



### THE ROLE OF "COUNTRY TRADERS"

The development of Free Trade and Free Ports was also influenced by "Country traders". Since England became involved in the Seven Years War (1756-1763) with certain European countries, English trade activity in the East, especially in the Straits Settlements, was performed by country traders.<sup>40</sup> This group played an important role in promoting relationships with the Malay States. The official policy of the E.I.C. at that time was to have trade agreements with the local rulers, to establish trading posts at the main routes and to avoid the occupation of territories and political responsibility.<sup>41</sup>

James Scott, Francis Light and Thomas Forrest were among the individuals who successfully implemented the political objective of the British Government. They had a cordial relationship with the Malay rulers.<sup>42</sup> Only through such relationships the supply of the Malay Archipelago products, especially tin, for the Chinese and European markets was assured.<sup>43</sup> This is no surprise because at the end of eighteenth century, the average yearly trade of a Malay state was between 150-200 thousand Spanish dollars.<sup>44</sup>

From the middle of the 1760's, the increasing activity of the "country traders" in the Straits of Malacca became more obvious. In the first half of the century, not more than 10 English private traders stopped at Malacca every year. Toward the year 1769, this number increased to 26. Among the factors which led to the increased activity of the country traders was the increasing trade of the East India Company with China. Within ten years, the number rose. Many European ships were known to have stopped at Riau and other ports in the Straits of Malacca.<sup>45</sup> Many of the company ships which brought cargo to China were ships brought by country traders to India from the ports of the Malay Archipelago.<sup>46</sup>

The role of the "Country traders" in the earlier stage is obvious at Riau.<sup>47</sup> Riau was an important trading port in the Malay Archipelago after Malacca.<sup>48</sup> It became a centre for the Bugis traders to gather trade from all other parts of the Malay Archipelago.<sup>49</sup> Many of the products brought to Riau by the Bugis traders were from Inderagiri and Jambi, whereas Palembang traders brought tin.<sup>50</sup> In brief, Riau traded with Java, Palembang, Bangka, Ujung Salang, Inderagiri, Jambi, Island of Moluccas, Borneo, Bali, Siam, Cambodia, Annam, Cochin-China and China. The products traded at Riau were collected by "country traders" to be exchanged in China.<sup>51</sup>

Selangor was another state also influenced by country traders. Here they had developed good relationships with the local rulers to the extent of being invited to become advisers.<sup>52</sup> When Sultan Ibrahim (1778-1826) from Selangor, with the help of Bendahara Abdul Majid from Pahang, attacked the Dutch fortification at Kuala Selangor, on 27<sup>th</sup> June 1785,<sup>53</sup> the fortification could not be captured and it was abandoned hurriedly. Sultan Ibrahim immediately asked for Francis Light's assistant from Penang to wave the British flag and requested for an appointment of a Resident in his state to enable him to trade freely with the Bugis.<sup>54</sup>

Sultan Ibrahim made a special request for the appointment of Francis Light,<sup>55</sup> James Scott<sup>56</sup> or Thomas Forrest<sup>57</sup> at Kuala Selangor.<sup>58</sup> Francis Light in his letter to the Acting-Governor General, John Macpherson, on February 1786 stressed that Sultan Ibrahim had valid reason to get British help. This is based on the good treatment received by English traders since the era of Sultan Ibrahim's father.<sup>59</sup>

The trading activity of country traders in Trengganu was established before the E.I.C. occupied Penang. In April 1764, Sultan Mansur I (1764-1793) sent a letter requesting help from the Captain of the Panther ship which stopped by in Trengganu on its way to Manila and China.<sup>60</sup> The Sultan requested for ammunition to deal with his enemies. The captain of the ship relayed the matter to Joseph Jackson, commander of the E.I.C. ship "Pitt" which was on its way to Canton with a supply of tin. Jackson then reported his meetings with the ruler of Trengganu on his visits here on 14<sup>th</sup> June, 1764. The Sultan was unhappy with the Dutch policy in Trengganu. According to the Sultan, it is normal for European countries to have a bad notion of the Malays, but if they knew how bad the attitude of Dutch was towards the Malays, the definitely would not behave like this.<sup>61</sup>

*... but if they [the European countries] knew but one half of the cruelties the Dutch had been guilty of to the Mallays[sic] they would not be blamed so much as be believed they generally are.*<sup>62</sup>

The Sultan welcomed the British who were willing to send a ship to begin trade relations with all nations which has links with the Gulf of Siam, Cochin-China, Cambodia and Borneo. Jackson also reported after staying in Trengganu for almost two years that Britain could gather tin amounting to 30 thousand bahar



every year at a low price. He also informed the E.I.C. that a settlement called Legore [sic] has three tin mines and produced at least 30 thousand bahar of tin each year.<sup>63</sup> Jackson's information clearly shows the importance of Trengganu in that century. This is proven from the list of items available at a number of places in the Siam Gulf enclosed in his report.<sup>64</sup>

Based on the report forwarded by Jackson, the British Government gathered enough information about the political scenario of the Malay states, especially Trengganu, and was prepared to act intelligently when the time was right.<sup>65</sup>

Based on the relationship cultivated with the Malay rulers, Francis Light succeeded in influencing the Acting Governor – General of Bengal, John Macpherson, to occupy Penang and to develop it as a Free Port.<sup>66</sup> In his letter to Macpherson, he explained Penang's potential. According to him, Penang could attract Bugis, Chinese and Malay traders, developing it further to a famous entrepôt port.<sup>67</sup>

It cannot be denied that the "country traders" played a vital role in the Malay Archipelago between the seventeenth and nineteenth centuries. Through cordial relations cultivated with local rulers, they secured supplies from the Malay Archipelago for the benefit of the Chinese trade and made it easier for the implementation of Free Trade and Free Port policies in the Straits Settlements at the end of eighteenth and early nineteenth centuries. The emergence of Penang and Singapore as Free Ports met the need of country traders who wanted to attract local traders and to fight the Dutch monopoly.<sup>68</sup>

### THE INFLUENCE OF MANILA'S FREE PORT

The emergence of Free Port in the Malay Archipelago was also influenced by the development of Manila. The importance of Manila as a free port before 1789 inspired the British to develop free ports in the Straits Settlements. In the case of the Philippines, its ability to become a successful port was the result of its trade with China and the Malay Archipelago. Spices and silk from the Malay Archipelago and China respectively was sent to Acapulco, Mexico, in exchange for silver from the mines of Peru which was brought back to Manila.<sup>69</sup> This trade is also known as Galleon Trade.<sup>70</sup>

The Manila-Acapulo trade which was mercantilist in nature was unable to uplift the welfare of the Philippines people; in fact it only profited Spanish

officials.<sup>71</sup> The situation led to the emergence of the Royal Philippine Company (RFC) on 10.3.1785.<sup>72</sup> This company was given the exclusive right to trade with Spain and Manila. For several decades, the company conducted trade not only with Spain but also with colonies in the United States and the Malay Archipelago.<sup>73</sup> It also began liberal trade policies and Manila opened its trade to foreign traders in three stages, that is in the years 1785, 1786, 1789.<sup>74</sup>

The opening of Manila to foreign traders in the year 1785 was to the advantage of British traders. The trade potential from India was continuously developed and enhanced. British private traders in Asia saw the trade with the company (RFC) as a chance to upgrade the existing quantity. The E.I.C. of London signed three year treaties from 1789 to supply (RFC) with Madras and Bengal piece goods which amounted to 6,000.00 Spanish dollars every year.<sup>75</sup> In relationship to this, the British Parliament approved the Act of 1797 which gave permission to nations which were not enemies to trade at Indian ports. It gave Spanish officials a chance to trade at Indian ports.<sup>76</sup>

As trading activity between India and Manila grew, the British actively sought to find a strategic settlement in the Malay Archipelago and in the Straits Settlements to balance trade with China. The action of Francis Light in occupying Penang and later to develop it as a Free Port was influenced by developments in Philippines. The year 1785 signalled the beginning of the end of the old economic system (Mercantilism) which had for so long haunted South East Asia.

*After a transitional period of some forty years between 1785 and 1826, the old Galleon system finally collapsed and disappeared. In the intervening forty years, the old system had negated in most aspects ... the importance of the end of the old pattern of trade is not entirely geographical. It was the end of a whole philosophy of colonial trade and administration introduced in the heyday of economic nationalism which accompanied the emergence of nation states in Europe. In practical commercial terms it was the end of a method of trade specially designed to circumvent outdated laws without changing them.<sup>77</sup>*

The Spanish decision to allow foreign traders to visit Philippine ports is one phenomenon which was against the Mercantile system. It could then be said

that the development of Penang and Singapore as Free Ports is due to this development in the Philippines.

### THE INFLUENCE OF FREE PORTS OF WEST INDIES

The development of Free Ports in the West Indies also had a significant influence in the development of Free Ports in the Straits Settlements. The early British Free Ports were only declared in West Indies.<sup>78</sup> Before the beginning of the Free Port Act, foreign ships were not allowed to land at ports of British colonies except for repair purposes. Through the Free Trade Port policy, small ships from neighbouring states were allowed to trade at a number of British West-Indies ports with the priority of exporting their respective items. On the other hand imports which were allowed were limited to the kind which could not compete with products which were produced by the British or its colonies.<sup>79</sup> The goods which were allowed to be exported were finished goods, which England intended to sell to foreign countries.

It is clear that these Free Ports had features of a Mercantilist system. But then the action of allowing foreign ships at ports of the British empire was indeed a new development which could only have occurred under the Free Port policy. The change in policy was necessary because British colonies were located near territories which were under the authority of Spain, the Netherlands and France and therefore were exposed to threats.

Of all British islands in the West Indies, Jamaica was the biggest. It was occupied by the British in 1766 and developed as a Free Port.<sup>80</sup> This was followed by the Dominican Island, Grenada, Bahamas, Trinidad, and St. Thomas.<sup>81</sup> In the first fifty years of the introduction of the "Free Port" Act, the trade of the West Indies islands increased and became prosperous. Various products were traded here.<sup>82</sup> The progress of trade which was caused by the free port policy prompted Thomas Irving, Inspector General of North America, to suggest to the Board of Trade the idea of opening up more Free Ports.<sup>83</sup>

The success achieved by Free Ports in the West Indies influenced individuals such as Francis Light and Stamford Raffles<sup>84</sup> to introduce similar policies in the Straits Settlements.

**CONCLUSION**

It could be concluded that through the policy of Free Trade and Free Ports as practiced in the Malay Archipelago, the British succeeded in integrating the Malay Archipelago into its industrial economy which was developing rapidly. It also clearly explains why the British did not interfere in the Malay States before 1874. In short it could be said that the policy of Free Trade and Free Ports gave British unique opportunities to develop trade without territorial possession in the late eighteenth and early nineteenth century.

## ENDNOTES

- 1 I. Copland, *Europe's Great Game, Imperialism in Asia I*, London, Oxford University Press, 1986, pp. 21-31. Refer also to W. Foster, *England's Quest of Eastern Trade*, London, Adam and Charles Black, 1966, p.5.
- 2 J.R. Jones, *Britain and The World 1649-1815*, Glasgow, Fontana Paperbacks, 1980, p. 116.
- 3 The changes caused by the Industrial Revolution prompted the British Government to use the political strategy to settle the problem of surplus at home. England now had to penetrate new markets by promoting free trade policy. Its ability to implement such as policy was due to its earlier decision to control trade within ports in Asia 30 years before 1815. Without the control of the sea route, England definitely could not dream of an empire like the one it formed after 1815 (R. Hyam, *Britain's Imperial Century 1815-1914, A Study of Empire and Expansion*, London, Batsford, 1976, p. 25).
- 4 J. Gallagher and R. Robinson, "The Imperialism of Free Trade", *Economic History Review*, Vol. 1, No. 1, 1953, p. 9.
- 5 N. Tarling, *Anglo-Dutch Rivalry in the Malay World, 1780-1824*, St. Lucia, Cambridge University Press, 1962, p. 9.
- 6 Tea became a favourite beverage of the people of England especially after the *Pitt Commutation Act* reduced the import duty for tea from more than 100% to only 12½% (P.P. Courtenay, *A Geography of Trade and Development in Malaya*, London, G. Bell and Sons Ltd., 1972, p. 63).
- 7 *Ibid.*, p. 64.
- 8 C.M. Turnbull, *A Short History of Malaysia, Singapore and Brunel*, Sydney, Allen and Unwin, 1989, p. 93.
- 9 C.D. Cowan, "Early Penang and The Rise of Singapore, 1805-1832", *JMBRAS*, Vol. 23, Pt. 2, 1950, pp. 3-4. Refer also to N. Tarling, *British Policy in The Malay Peninsula and Archipelago, 1824-1871*, Singapore, Oxford University Press, 1969, p. 12.
- 10 M. Greenberg, *British Trade and The Opening of China, 1800-1842*, Birmingham, Oxford University Press, 1951, p. 8.
- 11 *Ibid.*, pp. 8-10.
- 12 Cook defines free trade as "Free exchange of commodities, unrestricted by the imposition of duties by government, except perhaps for revenue purposes", (C. Cook, *Dictionary of Historical Terms, A Guide to Names and Events of over, 1,000 years of World History 1714-1980*, New York, Longman Inc., 1983, p. 123). *Encyclopedia Britannica* define Free Trade as "... a policy by which a government does not discriminate against



*imports in favour of national products or interfere with exports in order to favour consumers in the home market. Free Trade does not mean that a government abandons all control and taxation of import and export but only that this control and taxation are not used to protect the home producer against the foreign consumer"* (*Encyclopedia Britannica*, Vol. 9, Chicago, William Benton, 1970, pp. 850-851). In the case of the Strait Settlements the government did not allow or interfere in trade activities except to provide efficient administration facilities and a stable currency. In such a situation, individuals were free and different groups and communities specialised in fields in which they were efficient. (D.J.M. Tate, *The Making of Modern South-East Asia, Economic and Social Change*, Vol. 2, Kuala Lumpur, Oxford University Press, p. 157).

- 13 In the case of the Straits Settlements, when Penang and Singapore were developed as free ports, local rulers still collected tax through the system of "present", commission and partnership in trade in their respective port (Tate, op.cit., p. 150; K. G. Tregonning, "Penang and The China Trade", *Malaysia in History*, hereafter (*MIH*), Vol. 6, No. 1, 1959, p. 59). This matter is also mentioned in the Straits Settlements Record "... to the invariable practice to all Malay Ports, have been in the habit of receiving antar-antaran ,or complimentary present from the Nakhoda's of Junk and native vessels..." (*Straits Settlements Records*, Singapore National Library, hereafter SSR(SNL), Vol. 10, ff. 337-338).
- 14 J. Villiers, "The Cash-Crop Economy and State Formation in the Spice Islands in the Fifteenth and Sixteenth Centuries", J. Kathirithamby-Wells and J. Villiers, (eds), *The Southeast Asian Port and Polity, Rise and Demise*, Singapore, Oxford University Press, 1990, p. 83.
- 15 Ibid.
- 16 The fact that, Free Trade and Free Port existed in the Malay Archipelago is also discussed by writers such as Basset, "A highly complex international commerce already existed in which, with minor exceptions, the English could participate freely. They were not denied access to the important traditional coastal entrepots, so long as they remained under indigenous governments" (D.K. Basset, *Early English Trade and Settlements in Asia 1602-1690*, University of Hull, Centre for South East Asian Studies, 1968, p. 86). He also added that "... the region from Pegu and Tenasserim-Mergui through certain Malay ports and Aceh to Ayudhya and Tongking constituted what might loosely be called the free trade zone of maritime South-East Asia" (D.K. Basset, "British 'Country' Trade and Local Trade Networks in

- The Thai and Malay States circa 1680-1770", *Modern Asian Studies*, hereafter *MAS*, Vol. 23, Pt. 4, 1989, p. 625). J.C. Van Leur, *Indonesian Trade and Society*, Hague, W. Van Hoeve Ltd, 1955, p. 117 and A. Reid, "The Structure of Cities in Southeast Asia, Fifteenth to Seventeenth Centuries", *Journal of Southeast Asian Studies*, hereafter *JSEAS*, Vol. 11. No. 2, 1980, pp. 235-239.
- 17 For further reference regarding the trading zones refer K.N. Chaudhuri, *Trade and Civilization in The Indian Ocean, An Economic History from The Rise of Islam to 1750*, Cambridge University Press, 1985, pp. 34-62; B.E. Coless, "Early Western Ports of The Malay Peninsula", *Journal of Tropical Geography*, hereafter *JTG*, Vol. 29, 1969, pp. 1-9; K.R. Hall, *Maritime Trade and State Development in Early Southeast Asia*, Honolulu, University of Hawaii Press, 1985, pp. 194-231; K. R. Hall, "The Opening of The Malay World to European trade in the Sixteenth Century", *Journal of Malayan Branch Royal Asiatic Society*, hereafter *JMBRAS*, Vol. 58, Pt. 2, 1985, pp. 20-47; G. Windsor, "The Trading Ports of The Indian Archipelago", *Journal of Indian Archipelago and Eastern Asia*, hereafter *JIA*, Vol. 4, 1850, pp. 240-245, 385-388, 489-490 and 540-550.
- 18 Hall, *Maritime Trade and State Development*, p. 225.
- 19 Ibid., p. 226.
- 20 Ibid.
- 21 Ibid.
- 22 Ibid., p. 227.
- 23 Hall, "The Opening of The Malay World to European Trade ...", p. 85.
- 24 Malacca is a port of the fifteenth century which practiced Free Port Policies. The Free Trade Policy is seen from the shipping facilities provided for foreign and local traders; protection given to traders in the port, good judiciary system and a uniform monetary and measurement system. All these facilities enable trade to develop freely and rapidly. It's position as free port could be seen from the freedom given to foreign traders visiting it's port and a fair tax system imposed on them. Local traders were taxed 3% whereas foreign traders were taxed 6% (M.A. Meilink-Roelofs, *Asian Trade and European Influence in The Indonesian Archipelago between 1500 and about 1630*, Hague, Martinus Nijhoff, 1962, pp. 40-45). The Malacca government is also said to have had an advanced maritime code. Raffles considered the Malacca Code as the best which became the choice of many other states. The Malacca law was founded in the era of Sultan Mahmud Shah (1424-1444) and it is a law enforced on ships, jongkong and boats. The contents of the law related to officials

who handled boats, the collection of tax, punishment against individuals who were guilty on board the boat and those who disobeyed captain's order etc. (*Raffles Collection*, hereafter *RC*, Vol. 11:195-209; Vol. 15:289-291). Refer also to C.S. Blundell, "Notices of The History and Present Condition of Malacca", *JIA*, Vol. 2, 1848, pp. 726-754).

- 25 "When the Europeans first frequented the Archipelago, the trade had long collected at certain established emporia, of these Achean, Malacca and Bantam were the principal. Macassar on Celebes, had also become an emporium of the more Eastern Commerce. ... the smooth seas of the Archipelago is readily conveyed to the most advantageous markets. Foreign traders in large vessels found it more to their interest to proceed to the emporia, where they might at once procure a full cargo. The foreign commerce was carried on with ease and safety and to manifest advantage of all parties" (Stamford Raffles's letter to Joseph Dart, Secretary of the East India Company in London, 28th December, 1819, *Sumatra Factory Records*, hereafter *SFR*, Vol. 50, f. 25). For more on this see also *SFR*, Vol. 47, ff. 848-849.
- 26 J. Kathirithamby-Wells and J. Villiers, (ed)., *The Southeast Asian Port and Polity Rise and Demise*, Singapore, Oxford University Press, 1990, p.4. Refer also *SFR*, Vol. 47, ff. 843, 848-849; J. H. Drabble, *The Emergence of The Modern Malayan Economy: The Impact of Foreign Trade in The Nineteenth Century*, Victoria, The Centre of Southeast Asian Studies, 1989, pp. 4-10.
- 27 "Singapore's sudden upsurge as an entrepot port was in the tradition of Sri Vijaya, Malacca, Acheh, Bantam, Macassar and other ports in the region which had risen and flowered in response to the circumstances of their time. The patterns of island South-East Asia's trade were determined by the region's location astride a major artery of world commerce and by the nature of the distribution of it's own resources" (Tate, op.cit., p. 150).
- 28 Captains Light's letter to the Governor-General of India, Lord Cornwallis, 20th June, 1788 quoted in C.E. Wurtzburg, "A letter From Captain Light to Lord Cornwallis, dated 20th June, 1788", *JMBRAS*, Vol. 16. Pt. 1, 1938, p. 115.
- 29 Besides tin, the other products of the Malay Archipelago which were marketed in China were sago, chilly, nutmeg, rattan and birds nest (J. Crawford, *History of The Indian Archipelago*, Vol. 3, Edinburgh, Archibald Constable and Co., 1820, pp. 347-432). Refer also to (*Singapore Chronicle*, hereafter *SC*, 15th February, 1827).

- 30 Captain James Scott to the Government of Bengal 28th October, 1785, SS(F)R, Vol. 1, quoted in K.G. Tregonning, *The British in Malaya, The First forty Years 1786-1826*, Tucson, University of Arizona Press, 1965, p. 39.
- 31 "In the course of the 17th and 18th centuries, the Dutch secured and extended their control with varying success over the exportation of tin from various Malay states on the western seaboard of Malay Peninsula, namely Kedah, Perak, Selangor and Sungai Ujong" (Wong Lin Ken, "The Malayan Tin Industry: A Study of The Impact of Western Industrialization of Malaya", in K.G. Tregonning, *Papers on Malayan History, Papers Submitted to the First International Conference of South East Asian Historians*, Singapore, 1962, p. 11).
- 32 C.D. Cowan, (ed.), "Early Penang and The Rise of Singapore, 1805-1832", p. 3.
- 33 For further reference see SSR(SNL), A17, ff.348-349; SFR, Vol. 30, ff. 338-339.
- 34 Penang Consultations, 25th June, 1814, Minute by Philips, *Straits Settlements Records*, Indian Office Library, hereafter SSR(IOL), Vol. 44, ff. 1427-1428.
- 35 In Raffles' Letter to the Secretary of the East Indian Company dated 15th January 1823, it was declared that the amount of the Malay Archipelago's tin which was collected in Singapore in 1823 was 13,566 pikul; the amount is equivalent to the product of the Island of Bangka (SFR, Vol. 49, f. 332).
- 36 *Singapore Chronicle and Commercial Register*, hereafter SCCR 27, December, 1832.
- 37 After Singapore was developed, it succeeded in attracting local traders especially the Bugis. Although at that time there were many Dutch ports but the duty imposed was high. According to Bastin, they definitely would not have sailed hundred of miles away from the main route if not for Singapore's Free Trade (J. Bastin and R.W. Winks, (Compilers), "British in Malaya", *Malaysia, Selected Readings*, Kuala Lumpur, 1966, p. 155; Margaret Lee, "Trade and Shipping in Early Penang", *MIH*, Vol. 21, No. 2, 1978, p. 27). The amount of goods brought from Borneo, Sulawesi and Bali between the years 1828-1829, is estimated to be 1,040,761 sicca rupi (SC, 16 December, 1830). Refer also to (SFR, Vol. 49, ff. 350-357). The Liberal policy also succeeded in attracting the Chinese who were not happy with restriction policies practiced by the Dutch and Spanish ("Notes on The Chinese in The Straits", *JIA*, Vol. 9, 1855, pp. 109-110).
- 38 Tin Which was exported by the East India Company from Cornwall, England, to Canton (Amount in Tons).

1793 - 1,230	1799 - 646	1805 - 299
1794 - 580	1800 - 615	1806 - 444
1795 - 1,001	1801 - 251	1807 - 671
1796 - 1,025	1802 - 365	1808 - 800
1797 - 1.202	1803 - 594	1809 - 378
1798 - 788	1804 - 837	1810 - 30

Source: H. R. C. Wright, *East Indian Economic Problems of The Age of Cornwallis and Raffles*, Lonson, Luzac and Co. Ltd., 1961, p. 334.

39 Ibid., p. 334.

40 Country traders were also known as private traders. At first they were traders of the East India Company. However, when civil war erupted in England in 1657, a new charter was given by Oliver Cornwell to the East India Company traders and these traders were ordered to withdraw from Asian waters. The orders were not adhered to by many of the traders and this prompted King Charles II to order that those who went against his order were to be arrested and brought back to England. His order were not effective and the traders were still trading in Asia. These were the traders who are known as country traders. The trading activities of this group were between India, the Malay Archipelago and China. The role of the country traders in the Malay Archipelago could be seen in five important places, they are (1) Important ports in the Straits of Malacca like Kedah, Aceh and Junk Ceylon (Ujung Salang) (2) Pahang and Terengganu in years 1719 and 1720 (3) Johor (4) Selangor and Linggi in 1737 (5) Riau after the Seven Year War (1756-1763). Among the country traders who were famous in the 1770's and 1780's are Francis Light, James Scott and Thomas Forrest (D.K. Bassett, "British Country Trader and Sea Captain in South East Asia in The Seventeenth and Eighteenth Century", *Journal of Historical Society*, University of Malaya, Vol. 1, No. 2, pp. 9-14; D.K. Bassett, "Thomas Forrest, a Eighteenth Century Mariner", *JMBRAS*, Vol. 34, No. 2, 1961, pp. 9-14).

41 M. Francis, "Captain Jackson's Report on Terengganu 1764", *Journal of The Historical Society*, University Malaya, Vol. 8, 1969/70, p. 74 quoted in V.T. Harlow, *The Founding of The Second British Empire, 1763-1793*, 1964, p. 74.

42 *SSR(IOL)*, Vol. 1, ff. 67-68 and Vol. 2, f. 40.

43 *SFR*, Vol. 30, f. 340.



- 44 D.K. Basset, *British Attitudes to Indigenous States in South East Asia in The Nineteenth Century*, University of Hull, Centre of South East Asian Studies, 1980, p. 27.
- 45 D. Lewis, "The Growth of The Country Trade to The Straits of Malacca, 1760-1777", *JMBRAS*, Vol. 43, Pt. 2, 1970, p. 117.
- 46 Ibid., p. 118.
- 47 The trade activities of the "country traders" with Riau is said to have begun after the Seven Years War (1756-63). According to James Scott, the first voyage were made in 1768 and trade quickened in 1773 (Bassett, "British country Trader ...", p. 14).
- 48 The advantage of the port of Riau is also mentioned in the Straits Settlements Record. It is estimated that the value of Riau's trade for a year was two million Spanish dollars (*SSR(IOL)*, Vol. 1, ff. 71-72).
- 49 Lewis, "The Growth of The Country Trade ...", p. 116. For further reference, refer to B.W. Andaya, "*Melaka under the Dutch, 1641-1795*", in K.S. Sandhu and P. Wheatley, *Melaka, The Transformation of a Malay Capital, C. 1400-1980*, Vol. 1, Kuala Lumpur, Oxford University Press, 1983, pp. 229-231.
- 50 Lewis, "The Growth of The Country Trade ...", p. 116.
- 51 James Scott reported about the wealth collected by Raja Haji at the late 1780's as, "At the Southern end of the Straits of Malacca, at Riau, James Scott, looking back in 1785, estimated that Raja Haji, the Buginese Yam Tuan Muda, obtained 100,000 Spanish dollars annually from 5% import and export duty. Scott recalled that in 1779 some 30,000 pikuls of tin and 10,000 pikuls of pepper were bought in Malacca Straits, predominantly from Riau, by British 'country' captains in exchange for opium and textiles, they yielded two lakhs of rupees in Canton" (Scott to Macartney, 28th October, 1785 *SSR(IOL)*, Vol. 2, ff. 15-18, quoted in D.K. Bassett, "British 'country' Trade and Local Trade Networks in the Thai and Malay States circa 1680-1770", *MAS*, Vol. 23, Pt. 4, 1989, p. 643). Refer also to (*SFR*, Vol. 30, f. 343). The King of Riau is also said to have communicated with Captain Forrest informing him about his willingness to give away half of his territory as a British Settlement if the Dutch who had occupied his territory in 1784 were chased away (*SFR*, Vol. 30, f. 341).
- 52 Captain Forrest is said to have known the Sultan personally (Letter from Captain Forrest to the Government of Benggal, 12 April, 1784, *SSR(IOL)*, Vol. 1, f. 68).
- 53 R.O. Winstedt, "History of Selangor", *JMBRAS*, Vol 12, Pt. 2, 1934, p. 8.
- 54 Sultan Ibrahim to Macpherson, June 1785, *SSR(IOL)*, Vol. 3, f.9.

- 55 Francis Light is said to have traded at the ports of the Malay Archipelago for sixteen years (Bassett, "Anglo-Malay relations ...", p. 191). His intimate relations with the ruler of Siam brought him the title of *Pya Raja Capitan* by King Taksin in 1778 (K. Sukhabanij, "Siamese Documents Concerning Captain Francis Light", in K. G. Tregonning, (ed), *Papers on Malayan History, Papers Submitted to the First International Conference of South East Asian Historians*, Singapore, 1962, p. 1).
- 56 James Scott is a Scottish trader who had 22 years of trading experience in the Malay Archipelago. He accompanied Francis Light in his ship between the years 1761-1763. James Scott went to East as a sailor in the ship which hired by the East Indian Company. At Junk Ceylon (Ujung Salang) James Scott and Francis Light built trading post, and in 1787 they formed a partnership to trade in Penang. The trade of Penang at first was controlled by Scott's Company (K.J. Fielding, (ed)., "The Settlement off Penang by James Scott", *JMBRAS*, Vol. 28, Pt. 1, 1955, pp. 37-54). For further information about the role of Scott's company refer to "Notices of Pinang" (*JIA*, Vol. 5, 1851, pp. 93-118; Tregonning, *The British in Malaya ...*, p. 166).
- 57 Thomas Forrest was a "country trader" who served in the East India Company marine for more than 30 years and published valuable information about his voyages to places in the East. Among his writings are *A Voyage to New Guinea and the Moluccas from Balambangan, including an Account of Magindano, Sooloo, and other Islands ... performed in the Tartar Galley ... during the Years 1771, 1775 and 1776, 1779*; London and Dublin, 1779; *A Treatise on The Monsoons in East India*, Calcutta, 1782; *A Journal of The Esther Bring, Cap, Thomas Forrest, from Bengal to Quedab in 1783*, (ed)., London, 1788 and *A Voyage from Calcutta to Mergui Archipelago*, London, 1792. (Bassett, "Thomas Forrest a Eighteenth Century ...", p. 106). Forrest also had an intimate relationship with the Malay rulers. This was obvious because in Aceh, Sultan Alauddin Mohammed Shah awarded him a precious gift, the Achinese Order of The Golden Sword on 16th June 1781 (C.C. Gibson-Hill, "Raffles, Aceh and The Order of The Golden Sword", *JMBRAS*, Vol. 29, Pt. 1, 1956, p. 7). For further reference about Forrest, refer to Bassett, *British Trade and Policy in Indonesia ...*, pp. 30-48; H R C. Wright, "The Moluccan Spice Monopoly, 1770-1824", *JMBRAS*, Vol. 31, Pt. 4, 1958, p. 13 and 24).
- 58 Bassett, "Anglo-Malay ...", p. 186.
- 59 *SSR(IOL)*, Vol. 1, f. 32.
- 60 Francis, "Captain Jackson's Report ...", p. 74.

- 61 Ibid., p. 75-77.
- 62 Letter to Captain Jackson to the Governor-General of India, Robert Palk dated 7 November 1764, quoted from Francis "Captain Jackson's Report ...", p. 75.
- 63 Ibid., p. 76.
- 64 Captain Jackson's letter to the Governor General of India, Robert Palk, 7 November 1764, quoted in Francis, "Captain Jackson's Report ...", p. 76. For further reference, refer also to Khoo Kay Kim, "Kuala Terengganu: International Trading Centre", *MIH*, December, 1974, pp. 17-22.
- 65 Letter from Public Department, England, Vol. 70, dated 4 Mac, 1767, quoted in Francis, "Captain Jackson's report ...", p. 79.
- 66 "*The Friendship of the British country trader with the Malay rulers in the previous twenty years formed the bedrock upon which the company built Penang ...*" (Bassett, *British Trade and Policy ...*, p. 106).
- 67 Light to Macpherson 12, September, 1786, *SSR(IOL)*, Vol. 2, f. 436 and Vol. 3.
- 68 Bassett, "British Country Trader ...", p. 14.
- 69 M.P.H. Roessingh, "Dutch Relations with The Philippines 1600-1800", *Asian Studies*, hereafter *ASA*, Vol. 21, 1983, p. 61.
- 70 For further reference, refer to W.L. Schurz, *The Manila Galleon*, New York, E.P. Dutton and Co., 1959.
- 71 Kok Kouk Chin, "The Economic Importance of The Galleon Trade in The Philippines 1565-1815", B.A. Thesis, Department of History, University of Malaya, Kuala Lumpur, 1970/71, p. 33.
- 72 W.E. Cheong, "Changing The Rules of The Game: The India-Manila Trade 1785-1809", *JSEAS*, Vol. 1, No. 2, 1970, p. 15.
- 73 W. Wolters, "A Comparison between the Taxation System in Philippines under Spanish Rule and Indonesia under Dutch Rule during the Nineteenth Century", *ASA*, Vol. 21, 1983, p. 86.
- 74 Cheong, op.cit., p. 15. "*During the last decade of the 18th century and the first decade of the 19th century the Philippines was opened to free trade with the whole world. During the 1790s American ships traded at the port of Manila, although the official restriction to foreign merchants was still in operation. During the 1820's American firms started to open permanent agencies in Manila. Several provincial ports were opened to foreigners during the 1830's to the 1860's*" (Wolters, op.cit., p. 87).
- 75 Cheong, op.cit., p. 17.
- 76 "*The British government's Act of Parliament on 1797 declaring free access to Indian ports to all non-belligerent nations, gave the Spaniards officials access to Indian ports from 1808 onwards when Anglo-Spanish hostilities*

- ceased. The legal framework within which the old system had operated was thus dismantled on both sides by 1809*" (Cheong, op.cit., p. 151).
- 77 W.E. Cheong, "The Decline of Manila as The Spanish Entrepot in The Far East, 1785-1826: Its Impact on the Pattern of South East Asian Trade", *JSEAS*, Vol. 2, No. 2, 1971, p. 151.
  - 78 F. Armytage, *The Free Port System in The West Indies*, London, Longmans Green and Co., 1953, p. 1.
  - 79 Ibid., p. 2.
  - 80 Ibid., p. 4 and 149.
  - 81 Ibid., p. 148.
  - 82 Ibid., p. 3.
  - 83 Ibid., p. 58 and V. Harlow and F. Madden, *British Colonial Developments 1774-1834*, Oxford, Clarendon Press, 1953, pp. 321-324.
  - 84 Stamford Raffles himself has referred to the examples of the West Indies as progressive colonies in trade because its ports were exempted from tax (J. Low, "An Account of The Origin and Progress of The British Colonies in The Straits of Malacca", *JIA*, Vo. 4, 1850, p. 647).