

# Chapter 5

## Growth of Regional Trade in Modern Southeast Asia: The Rise of Singapore, 1819–1913



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### 5.1 Introduction

During the nineteenth century, Southeast Asian countries were progressively colonised by the West; their economic relations with the Western capitalist economy intensified through the expansion of long-distance trade. As a result, Southeast Asia was incorporated into the international division of labour, exporting a large amount of primary goods in exchange for capital investment and imports of manufactured goods (Cowan 1964; Drabble 2000; Maddison and Prince 1989). While long-distance trade grew in Southeast Asia, Singapore—the British colonial emporium—prospered as a trade hub by providing industrial products to the neighbouring Southeast Asian countries and re-exporting regional primary goods to industrial countries (Huff 1994; Wong 1960). In addition to trade articles, money, Western trading firms, and Asian merchants accumulated in Singapore, leading to remarkable trade growth based on the trade relationships with Southeast Asian countries. Thus, Singapore became the centre of international trade for Southeast Asia, which accelerated its regional integration into the West-led global economy. Singapore also played a pivotal role in connecting production and consumption within the region through the development of regional trade (Chiang 1978; Wong 1978). Unveiling such multifaceted trade development in Southeast Asia, this chapter intends to shed light on the growth of regional trade in Singapore during the nineteenth century.

Previous studies have stressed the significance of Singapore as a trading hub for the growth of Southeast Asian trade. However, it remains unclear how this port-city was singled out to develop into such a prominent trade centre in the region, and what kind of mechanism operated for the growth of its regional trade. One bias in the literature is that previous studies have considered the late nineteenth century as the watershed period for Singapore's trade growth, specifically with the opening of Suez Canal

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in 1869. The primary research relating to Singapore's economic history addressing before and after this period exists, but they have often been treated separately (Wong 1960; Chiang 1978; Huff 1994). As a result, the remarkable growth of Singapore's trade after the 1870s tended to be associated with the effect of the revolution of transport and communication driven by Western colonialism and the growing demand for raw material in Western industrial countries. The regionally specific mechanism of trade growth, running through the nineteenth century, has not been fully explored.

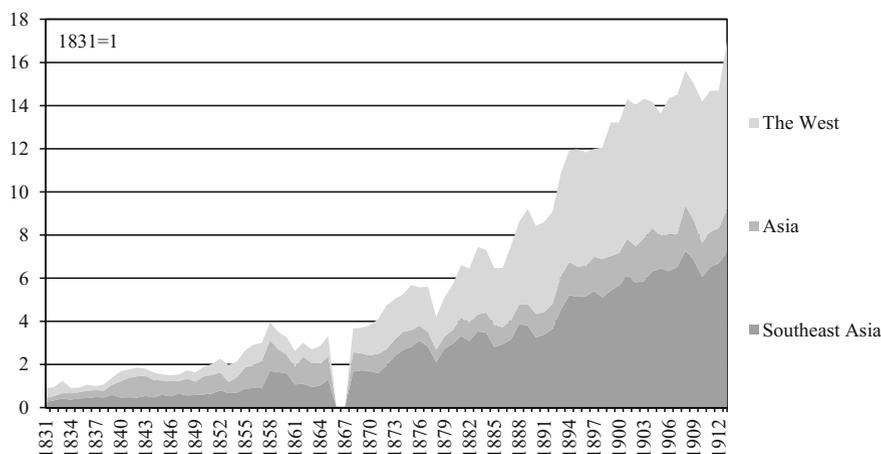
To reconsider the significance of Singapore's regional trade, we must re-examine its progressive development beyond the periodic gap before and after 1870. The present chapter tackles this assignment, and in so doing, we estimate the real growth rate of Singapore's trade from 1831 to 1913, suggesting the steady growth of its trade throughout the nineteenth century. In addition, we investigate the factors and mechanism for the long-term growth of this trade.

Singapore's regional trade was closely connected with each country's local trade. Manufactured goods transported into Singapore via long-distance trade were then carried to rural port-cities by regional trade, and further supplied to local inhabitants through internal local trade, such as coastwise and riverine trade (Warren 1981; Li 2004; Lindblad 2002). Therefore, the functional linkage of Singapore's regional trade with local trade in each country was significant in integrating Southeast Asia with the growing international economy. However, we are not familiar with how Singapore's regional trade built its connections with each country's local trade, and what sort of changes local trade underwent in response to the expansion of regional trade. Due to the lack of focus on local trade, we are not adequately able to assess the significance of Singapore's regional trade for the whole of nineteenth-century Southeast Asian economy. Therefore, we shed light on the process of consolidating the linkage between regional and local trade to comprehensively understand the regional trading system. Section 4 addresses this subject by focussing on the case of Sarawak.

The remainder of this chapter is organised as follows. Section 2 shows the long-term growth of Singapore's trade, and analyses the trade structure during the nineteenth century. It also discusses the factors that influenced the growth of regional trade with focus on trade policy and merchants' business. Section 3 highlights the emergence of the intra-regional circulation of consumer goods by analysing the changing commodity composition. Section 4 focuses on the expansion of Sarawak's trade to explore the connectivity of regional trade with local trade. Section 5 concludes the chapter.

## 5.2 Rise of Singapore's Regional Trade

Singapore was founded as a British colonial port in 1819 under the initiative of Thomas Stanford Raffles (Turnbull 1977; Trocki 1979). According to the Anglo—Dutch Treaty of 1824, Singapore was officially acknowledged as a British possession, and in 1826, it became one of the three colonial port-cities of the Straits Settlements.

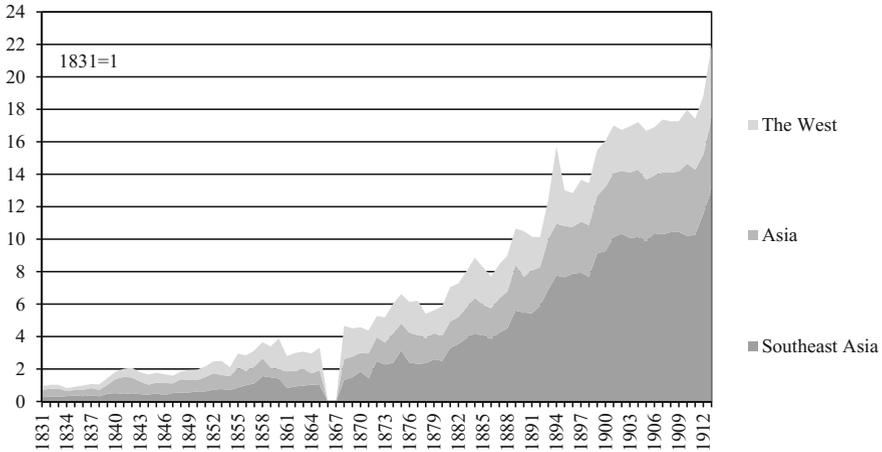


**Fig. 5.1** Singapore's regional export index, 1831–1913. *Source* *Tabular Statements*, 1839–1865; *Blue Book*, 1868–1913. *Note* The export index is expressed in real terms and estimated by deflating the nominal export value by the export price index. The price index is adopted from Kobayashi (2017)

Throughout the nineteenth century, the colonial authority maintained the status of free port—no tariff and port dues—in Singapore, enticing Western trading firms and Asian merchants. Through the commerce of various mercantile parties, Singapore developed multilateral trade relationships with Western and Asian countries.

We first explore the growth in Singapore's trade during the century after its establishment. Figure 5.1 shows the regional exports from Singapore by three regional classifications: trade with Southeast Asia, trade with Asia (except Southeast Asia), and trade with the West. This export index represents growth trend in real terms. The figure indicates that Singapore's export index increased four-fold between 1831 and the early 1870s. It further increased from the rate of 4 in the early 1870s to 16 in 1913. It follows that Singapore's exports grew at 16 times during these 80 years. Figure 5.2, which depicts Singapore's import data, shows an increasing tendency as well, where the index increased from 1 to 4 during 1831–1870, and further grew to nearly 20 by 1913. This higher growth rate for imports suggests that the imports of consumer goods increased at a faster pace in response to the increasing local demand as a result of Singapore's rapid urbanisation and population growth, from about 10,000 in the 1820s to approximately 230,000 in the early twentieth century (Saw 1969).

Figure 5.1 also presents the destinations for Singapore's exports, aggregated by regional classification, that is, the West, Asia, and Southeast Asia. We see that, while Singapore had close trading relations with Southeast Asia, which was fundamental for its overall trade, the West, specifically Britain, was also a significant trading counterpart for the colony. According to the data, more than 40% of Singapore's exports were bound for Southeast Asia throughout the period examined. Exports to Asia, including India, China, Japan and the Middle East, reported a relatively large share



**Fig. 5.2** Singapore’s regional import index, 1831–1913. *Source* *Tabular Statements*, 1839–1865; *Blue Book*, 1868–1913. *Note* The import index is estimated using the same mean as that in Fig. 5.1

until the 1860s, suggesting that, during the early period of its trade growth, Singapore served as a transit port for the international circulation of commodities, including the re-exports of Chinese products to Britain. However, following the 1870s, with Asia’s significance in Singapore’s exports gradually diminishing, it appears that the port enhanced its function as a trading hub for Southeast Asian countries. In addition to export data, Fig. 5.2 shows the origins of Singapore’s imports with three regional classifications. We see that Southeast Asia held a bigger share than that of Asia and the West, maintaining this share at more than 50% after the 1880s. Thus, Southeast Asian countries were significant trading counterparts in Singapore’s trade during the colonial period.

The role of Singapore as a transit port began developing at the onset of its colonial history. When Raffles founded the East India Company’s (EIC) factory at Singapore, he had two economic aims (Turnbull 1977). The first was the expansion of British trade with China via Singapore, and the other was the establishment of a British trade centre in Southeast Asia to confront Dutch colonial power. In terms of his first ambition, Singapore fulfilled the role of a transit port, offering the British mercantile community with a trade route to the Chinese market. Table 5.1 lists the ratios of Singapore’s key import and export articles; we can see that ‘East Asian goods’, including Chinese raw silk and tea, occupied a relatively large share in both imports and exports before the 1840s. This indicates that Singapore was a depot for transit trade, importing Chinese articles and re-exporting them to Britain. However, this role was later assumed by Hong Kong, which was founded in 1842 as a British trading base in Southern China. Thereafter, Singapore’s trade began to focus on trades with Southeast Asian regions to satisfy Raffles’ second ambition. Table 5.1 also shows that the share of ‘Southeast Asian foodstuffs’, including rice, pepper, and sugar, and

**Table 5.1** Imports and exports in Singapore's trade, 1822–1913

	1822	1828	1840	1862	1880	1900	1913
<i>Imports</i>							
Manufactured goods (%)	27.6	21.1	19.9	13.3	15.3	5.1	4.5
Opium (%)	22.1	10.8	20.7	12.9	10.9	5.3	2.1
East Asian goods (%)	4.5	20.1	9.2	6.0	8.0	7.1	5.1
S. E. Asian foodstuffs (%)	13.5	8.5	13.2	17.1	24.9	21.0	23.7
S. E. Asian raw materials (%)	10.2	4.6	5.7	11.3	19.0	28.7	29.1
Others (%)	22.0	34.9	31.3	39.4	21.9	32.7	35.5
Total imports	3,092,134	8,732,450	11,929,401	22,455,845	47,865,849	229,718,302	333,669,588
<i>Exports</i>							
Manufactured goods (%)	21.6	11.4	10.1	15.8	12.1	4.8	3.4
Opium (%)	22.6	8.9	20.1	12.5	9.9	5.3	1.8
East Asian goods (%)	5.1	19.6	11.4	3.2	3.6	2.1	1.6
S. E. Asian foodstuffs (%)	16.1	10.3	17.9	17.8	25.7	23.9	27.6
S. E. Asian raw materials (%)	13.7	6.0	8.6	18.6	24.6	38.0	39.5
Others (%)	20.9	43.8	31.9	32.2	24.1	25.9	26.0
Total exports	2,624,740	8,438,150	10,182,478	18,750,166	46,162,886	186,616,348	257,861,006

Source Data for 1822 is from *Sumatra Factory Records*; data for 1828 is from *Straits Settlements Factory Records*; data for 1840 and 1862 are from *Tabular Statements*; and those for 1880–1913 are from *Blue Book*

Notes 'Manufactured goods' include Indian and British cotton piece goods. 'East Asian goods' consist of silk piece goods and raw silk. 'S. E. (Southeast) Asian foodstuffs' comprise rice, salted fish, coconuts oil, sugar, tapioca, pepper, areca nuts, sago, tobacco, tea, and coffee. 'S. E. Asian raw materials' include tin, *gutta percha*, gambier, hides, rattan, *copra*, coal, petroleum, and rubber. The values are expressed in Straits dollars

'Southeast Asian raw materials', such as tin, forest produces, and rubber, increased over time.

In addition, Table 5.1 shows that, together with opium, the ratio of manufactured goods in Singapore's trade was relatively large during the mid-nineteenth century. In fact, before 1850, there was a shift in cotton products from Indian handloom textile to British industrial products in the trade of manufactured goods. The rise of British cotton products in place of Indian products was a driving force in the growth of Singapore's trade. The expansion of cotton goods' trade was augmented by two factors: the predominance of trade liberalisation and the vigorous reaction of local Asian merchants. Next, we examine these factors.

The expansion of free trade influence assisted the growth of British cotton products' trade in Singapore. Through the industrial revolution following the mid-

eighteenth century, Britain achieved the import substitution of Indian fabrics, and began exporting cotton manufactured goods worldwide. When British cotton goods flowed into Southeast Asia, Singapore was becoming the gateway to the regional market. British articles were transported there via long-distance trade, and finally, re-exported to neighbouring countries through regional trade. However, the regional circulation of British cotton goods encountered an obstacle—the Dutch protectionist tariffs (Van der Kraan 1998; Kobayashi 2013). After the 1820s, the Dutch government set a discriminatively high tariff on the imports of British cotton goods from Singapore at Dutch colonial port-cities. In fact, during the mid-1830s, the tariff rate reached 70%, hindering Singapore's regional trade, which considerably relied on the exports of British cotton goods. These circumstances provoked British diplomatic protests against the Dutch discriminative tariff. By the early 1840s, the Dutch government amended the tariff rate against Singapore to 25%. Following the early 1840s, the exports of cotton goods from Singapore to the Dutch ruling places rapidly increased (Kobayashi 2013). Thus, after the mid-nineteenth century, British industrial cotton goods were widely circulated across Southeast Asia via Singapore, and promoted the growth of its regional trade. The rivalry over the Anglo–Dutch tariff policy and resultant free trade also defeated protectionism, and coordinated the institutional setting for the growth in Singapore's regional trade. Thereafter, the Dutch tariff on the imports of British cotton goods remained unaltered until the later 1860s, after which the tariff rate was progressively lowered to 16%. In 1874, the differential duties between British and Dutch products were corrected (Korthals-Altes 1991).

Another primary factor affecting the development of Singapore's regional trade was the reorganisation of commercial relationships among merchants. In Singapore, British trading firms and merchants imported industrial cotton products and purchased Asian produce that were in demand in their home country (Drabble and Drake 1981). Thus, they had to transact with Asian merchants to sell industrial fabrics and obtain native produces in Singapore. However, most British merchants were inexperienced in conducting transactions in local markets, and thus, required middlemen who could deal with the local traders. Chinese merchants who moved from Malacca to Singapore satisfied this requirement (Lee 1978; Wong 1960). Before moving to Singapore, Chinese merchants, whose ancestors immigrated from China's southern provinces, had a long history of trading in Southeast Asia. Therefore, they were familiar with local commerce and able to speak not only English, but also the vernacular languages of the Malay Archipelago. Since some of the merchants held an administrative position, it was easier to ensure themselves trustworthy for the Western community. Using these aptitudes, the Chinese middlemen purchased industrial products from British merchants, and in exchange, delivered local Southeast Asian produce.

Furthermore, the Chinese middlemen played a significant role in drawing local traders' commerce to Singapore and re-organising their diverse activities. Even after the collapse of the Johore–Riau Kingdom in the 1780s, while there seemed to be no influential trade hub in the Malay Archipelago, local traders, such as Bugis, Malay, and Chinese traders, were scattered across the region, and maintained active trading, based in tiny port-cities (see Chap. 4 of this volume). However, the emergence of

Singapore changed these circumstances. As Singapore began to function as a free port that offered lucrative business opportunities, such as a deal for British industrial products, the port started to attract local traders from across Southeast Asia. Bugis traders came to Singapore with abundant regional produce, such as forest and marine products from the petty ports in Borneo and Celebes, and Malay traders brought various agricultural and mineral produces from the Malay Peninsula and Sumatra. In addition, Chinese junks imported foodstuff, such as rice and sugar, from mainland countries like Siam and Cochin China. The local traders generally purchased their commodities from Chinese middlemen, who could offer merchandise ranging from British fabrics to regional foodstuffs (Kobayashi 2013). In other words, by trading with the Chinese middlemen, local traders who arrived at Singapore could acquire every commodity that was demanded in their homelands. Under the circumstances, an efficient deal warranted the alleviation of high transaction costs, and this in turn was likely to have enhanced the bargaining position of the Chinese middlemen. Thus, Chinese middlemen came to play a pivotal role in the circulation of commodities in Singapore at the onset of its trade growth.

Although Singapore was newly built in the early nineteenth century, its trade growth did not begin from nothing. For the development of Singapore's regional trade, it was significant that Chinese merchants who had accommodated to local commerce operated intermediary business not only between Western merchants and local traders, but also among the various local traders. The extra-regionally produced commodities, such as cotton manufactured goods, Indian opium, and Chinese goods, flowed into Southeast Asia via Singapore. In exchange for its exports, Southeast Asian produces were brought and further transported to consuming countries. Consequently, through these reciprocal linkages between long-distance trade and regional trade in Singapore, Southeast Asian trade grew, and the regional trading system was established by the mid-nineteenth century. This trade structure further developed after the 1870s, and led to the overall growth of Southeast Asian trade, as we see in the next section.

### **5.3 Mechanism of Demand Linkage in Southeast Asian Trade After the 1870s**

Prior to the late nineteenth century, Singapore's trade mostly comprised the general pattern of transit trade. Extra-regional products brought into Singapore by long-distance trade were re-exported through regional trade, and regional products were transported overseas through reverse flows. However, this pattern changed following the 1870s. In particular, the change took place in the regional trade, and the new pattern of the regional commodity circulation fuelled the expansion of primary goods' exports from Southeast Asia. In this section, we discuss the development of Singapore's regional trade after the 1870s with focus on the mechanism of demand linkage.

After the 1850s, the expansion of Western economic influence further accelerated; regional economies were also affected by the movements of international trade. In particular, in Insular Southeast Asia, including Malay Peninsula, Dutch East Indies, and the Philippines, tin mines and plantations were developed under the surge of Western colonisation, and large exports of raw materials were initiated to the West. Exports of forest products, including resin, rattan, and oils, also expanded. In some inland regions, the livelihood of the local populations shifted towards market-oriented agricultural production and labour income at plantations (Lindblad 2002, 100–105; Murray 1980). However, because the population was relatively small in most island countries, immigrants became indispensable as labour in order to increase primary goods production. Chinese and Indian immigrants met this requirement. Following the 1870s, a large number of Chinese began to immigrate to Southeast Asia from China's southern provinces, such as Guangdong and Fujian; in fact, the average number reached approximately 200,000 per annum (Sugihara 2005). While most of them returned to China after saving a certain amount of income from working in the mines and plantations, some settled in Southeast Asia. Likewise, Indian immigrants worked in rubber plantations under the Kangani system in the Malay Peninsula (Sugihara 1996; McKeown 2004). This international movement of labour force reinforced the production of raw materials in Insular Southeast Asia, and products were exported to the West either directly or via Singapore. Table 5.2 shows that the ratio of Southeast Asian raw materials in Singapore's regional imports conspicuously increased after the 1860s, and the share of tin dramatically soared following the 1880s, suggesting the increasing production of raw materials in the neighbouring countries. Finally, they were re-exported from Singapore to the West by long-distance trade.

In mainland Southeast Asia, the Western colonies, British Burma, and French Cochin China (Indochina after 1899), were established, and the Kingdom of Siam barely remained independent. In those countries, the production of primary goods expanded in response to the growth of international economy. Nevertheless, the nature of primary goods produced there somewhat differed from that of primary goods in Insular Southeast Asia. Following the 1850s, the reclamation of the deltas in Burma, Siam, and Cochin China rapidly proceeded, and farmers began to settle there. As a result, the yield of rice increased in those lands. Consequently, local farmers began exporting surplus rice abroad on an unprecedented scale, and rice became the most significant export article from the mainland countries (Owen 1971). Although Europe imported some of the Burmese rice, which was used as starch for paper manufacturing, Asian countries imported most of the rice as a staple food item. Rice produced in the Burmese Irrawaddy Delta was shipped to vicinities, such as British India and the Straits Settlements, and rice reaped in the Chao Phraya Delta in Siam and the Mekong Delta in Cochin China was exported to Insular Southeast Asia, China, and Japan. Siamese and Cochin Chinese rice was exported through the country's emporiums, Bangkok and Saigon. The rice supply from the mainland countries facilitated the shift of labour force from the agricultural to export sector; in other words, it led to the rise of plantation and commercial agriculture in Asian countries. Thus, the exports of primary goods from the mainland mainly comprised foodstuffs, which supported the enhancement of productivity in the Asian economies.

**Table 5.2** Imports and exports in Singapore's regional trade, 1828–1913

	1828	1840	1862	1873	1880	1900	1913
<i>Regional imports</i>							
Rice (%)	10.1	11.0	31.1	19.9	24.8	16.4	21.7
Manufactured goods (%)	2.3	4.3	4.6	4.8	0.6	1.0	0.4
Tin (%)	12.5	9.4	3.5	2.5	1.0	25.7	24.9
S. E. Asian raw materials (%)	4.5	3.3	8.9	24.3	26.7	23.7	19.9
S. E. Asian foodstuffs (%)	27.5	35.7	22.9	28.1	23.6	18.6	18.6
Others (%)	43.1	36.2	29.0	20.5	23.2	14.6	14.4
Total	2,122,933	3,105,673	5,944,146	16,749,822	20,804,862	127,974,215	186,899,242
<i>Regional exports</i>							
Cotton piece goods (%)	41.1	26.2	28.3	25.0	23.0	10.9	7.3
India and China products (%)	23.4	32.1	26.1	25.7	20.8	9.3	2.9
S. E. Asian raw materials (%)	0.9	2.8	1.5	2.2	2.2	3.4	1.3
Rice (%)	2.2	0.8	5.7	12.5	18.3	20.3	28.1
S. E. Asian foodstuffs (%)	4.5	6.3	3.9	6.1	8.7	15.5	18.1
Others (%)	27.9	31.8	34.5	28.5	27.0	40.6	42.3
Total	2,026,323	2,440,884	6,010,299	14,772,414	22,769,850	76,637,644	102,167,243

Source Data for 1828 is from *Straits Settlements Factory Record*; data for 1840 and 1862 are from *Tabular Statements*; and those for 1873–1913 are from *Blue Book*

Note The total values are expressed in Straits dollars

The food supply from mainland Southeast Asia was critical in the production of raw materials in Insular Southeast Asia. Numerous Chinese and Indian immigrants had arrived in the island regions, and this increasing population was likely to induce greater food demands. Without food supply, the immigrants could not engage in production in mines and plantations. Thus, the exports of foodstuffs from the mainland indirectly assisted the growth of raw materials exports in the island. In addition, Singapore played a central role as an emporium in the rise of the intra-regional circulation of foodstuffs.

Next, we explore the commodity compositions in Singapore's regional trade. Table 5.2 indicates that the percentage of rice in Singapore's regional imports increased by the 1860, and the high ratio of no less than 16% sustained till 1913. A certain share of rice imported into Singapore was locally consumed, while the majority was re-exported to neighbouring regions, such as the Malay Peninsula, Dutch East Indies, and British Borneo. The share of rice in Singapore's regional exports surged

from less than 6% to more than 20% after the 1870s, replacing the commanding shares of cotton piece goods and Indian and Chinese products (Table 5.2). That is, a certain amount of mainland's rice was transported to Singapore, and distributed to the island regions, to satisfy the growing food demand by Chinese and Indian immigrants, as well as local inhabitants. In addition, Table 5.2 shows that the percentage of Southeast Asian foodstuffs, including sugar, oil, and salted fish, increased after the 1880s, suggesting the expansion of food distribution across Southeast Asia with Singapore as its hub. Thus, after the late nineteenth century, Singapore transformed from a transit port for long-distance trade between the West and Asia to an emporium coordinating intra-regional trade, and connecting production and consumption within Southeast Asia.

At the same time, there were several changes in Singapore's mercantile activities. Until the mid-nineteenth century, local traders, such as Bugis, Malay, and Chinese traders, carried regional produce from the neighbouring islands to Singapore, and transacted the merchandise with Western merchants through Chinese middlemen. The establishment of such a transaction system between Asian and Western merchants smoothed the commodity circulations between regional and long-distance trade in Singapore. However, within the realm of regional trade, newcomers from China were gradually expanding their businesses in place of native traders who were visiting Singapore from remote islands. After 1850, the port of Singapore was equipped with transport infrastructure: its harbour was upgraded to accommodate huge steamships, and regular steamship lines were inaugurated, with Singapore as a hub of maritime traffic (Bogaars 1956; Boon 2013). The new transport infrastructure in Southeast Asia was vigorously used for commerce by not only Western merchants, but also Asian ones (Tan 1902; Huff 1989; Boon 2013). Furthermore, the telegraph system was constructed after the late nineteenth century to promote communication among staple cities across the globe, for which Singapore was one of the network hubs (Latham and Neal 1983). The telegraph dramatically reduced the communication time between Asia and Europe, and facilitated the exchange of commercial and political information. These technological innovations benefitted Singapore's mercantile community, particularly Chinese merchants, by enabling them to extend their trade to the remote islands. Until then, native traders, such as Bugis and Malay traders, primarily conducted Singapore's regional trade with the eastern islands, such as Borneo, Celebes, and Sumatra. Following the 1850s, however, new transport and communication tools reduced the physical and temporal distance to the eastern islands, and alleviated hindrances faced by Singapore's traders who wanted to advance there in search of lucrative commerce.

In addition to improved trade infrastructure, social relationships were another advantage for Chinese traders. Chinese immigrants who came to Southeast Asia during the high-colonial period built a society on the basis of each home province, such as Fujian, Guangdong, and Teochew, and the fellowship of each provincial group was close and strong (Lee 1978). We assume that the mutual trust among the members mitigated the risk of undertakings in Southeast Asia, and provided the opportunity of business success, even for the newcomers from China. To explore trading operations by a Chinese petty trader, we cite an excerpt from a contemporary

article that describes trading by a Chinese peddler in the late nineteenth-century Singapore (Tan 1902).

A new-comer from China, or a return immigrant, would scrape together from friends and other accommodating creditors sufficient means to buy a cart-load of such necessaries as rice, salt, salt-fish, tobacco, kerosene, matches, sugar, biscuits, manufactured cotton goods, umbrellas, etc., and proceed to a distant village some miles from the nearest trading centre, and at once commence operations by building a hut and planting a small vegetable garden for his own requirements, and opening a “kedai [shop]”. ... His shop is soon the rendezvous of the natives, who resort thither on all occasions or when they have leisure. For such among them who possess jungle produce, such as gutta, garroo-wood, rattan, gum-damar, areca-nut, etc., the shopkeeper is ready to barter in exchange the goods of his shop. ... The goods thus obtained are carefully stored until, after a few years’ collection, the man finds he has sufficient to load two or three carts, when after first disposing of his shop, good-will, and stock-in-trade to a successor, he would start with his goods to the port of embarkation. Here [Singapore] he would dispose of them to the best advantage, pay off his creditors, and he is then ready to take a trip to China to enjoy a holiday with his family.

The above description suggests that Chinese expatriates who simply visited Southeast Asia could start their own trading business by raising funds from Chinese fellows and creditors without any collateral. We suppose that the trade-by-credit sale, which was based on the partnership among Chinese provincial groups, was aimed at expanding commerce from Singapore to the remote rural villages, although there may have been many defaults in the harsh milieu of business in Southeast Asia.

Thus, we suggest that the expansion of the geographical range of Chinese commercial activities through unique credit sale fuelled the circulation of merchandise between Singapore and Southeast Asian countries. In particular, Gregg Huff (1989) emphasises the significance of rice trade by Chinese mercantile groups in Singapore. According to Huff, Singapore’s Chinese merchants who imported rice from Siam passed it to Chinese traders who exported consumer goods, including rice, to neighbouring islands in exchange for primary goods; the latter paid the former after earning a profit from the transaction. For these Chinese merchants, it is assumed that rice was a medium of exchange based on a solid partnership, and a way to cope with the deficiency of currency by providing liquidity for commerce. Such a chain of credit sales among the Chinese promoted the development of the intra-regional circulation of consumer goods centred on Singapore and raw materials exports. In sum, the formation of a transaction system for Chinese mercantile communities in Singapore and its expansion across the neighbouring countries accelerated the growth of regional trade in Southeast Asia.

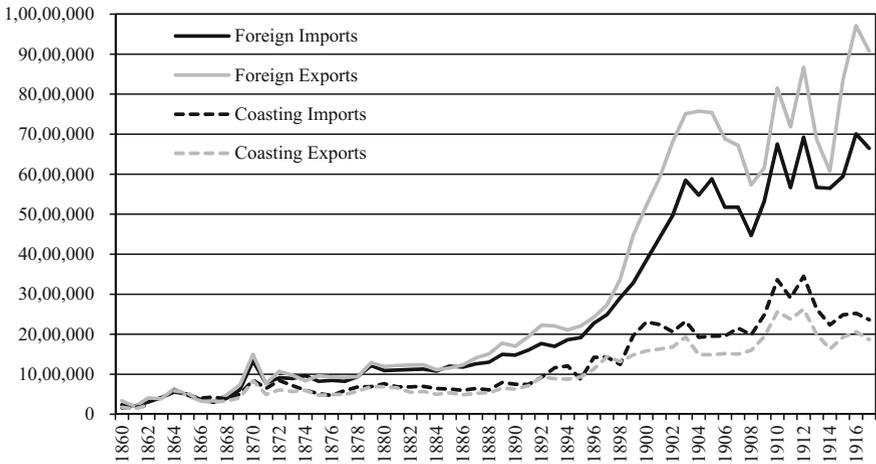
#### **5.4 Linkage with Local Trade: Pattern of Sarawak’s Trade Development**

In 1841, James Brooke, as Rajah appointed by the Sultan of Brunei, founded Sarawak Kingdom in North-Western Borneo. The ruling by the Brooke family lasted until World War II. After the second half of the nineteenth century, Brooke’s Sarawak

progressively took over the territory of Brunei, causing its trade to also grow (Ooi 1997; Kaur 1998). Various types of primary goods were exported from Sarawak in exchange for overseas imports, such as manufactured goods, foodstuffs, and money. A majority of Sarawak's overseas exports were sent worldwide via Singapore, which also served as a route for imports. We can assume that Sarawak's trade growth increased through the strong connection with the regional trading system centred in Singapore. However, this close relation with Singapore was not sufficient to maintain Sarawak's trade growth. Its trade development also critically hinged on the linkage between overseas and local trades.

The structure of Sarawak's trade was as follows. During its course of trade growth, Kuching—Sarawak's capital—established close trade relations with Singapore (Chew 1990; Kobayashi and Sugihara 2018). Manufactured goods and foodstuffs were imported into Kuching from Singapore, and in exchange, Sarawak's local primary goods were exported to the international market via Singapore. Asian merchants primarily engaged in overseas trade in Kuching, and Chinese merchants particularly traded with Singapore. At the same time, while some imports were consumed by inhabitants in Kuching and its hinterlands, the rest were shipped to rural cities through coastwise trade. Finally, these foreign products were transported to forest dwellers via a riverine from markets near an estuary to the inland villages. In the reverse commodity flow, forest and agricultural products delivered by local folks were bound for Kuching via riverine and coastal trade, and finally, exported abroad. Although the coastwise and riverine trade had allegedly been controlled by Malay traders, as Sarawak's trade grew and strengthened the connection with Singapore, Chinese traders began to overpower native traders in terms of business, and dominated internal trade (Chew 1990). Most Chinese traders were small-scale peddlers and had long-term commercial relationships with Chinese merchants in Kuching, who provided funds or commodities through credit sales. Likewise, Kuching's merchants were likely to hold business relations with Singapore's Chinese merchants. Thus, consumer products imported from overseas were circulated across Sarawak through the chain of transactions by the Chinese traders, and Sarawak's primary goods were remitted to industrial countries via Singapore. Moreover, the systematic linkage between foreign trade and domestic coastwise and riverine trade promoted trade growth in Sarawak.

Figure 5.3 depicts the trends of foreign trade and coasting trade in Kuching from 1860 to 1917. We see the synchronising growths between foreign and coasting trade; particularly, their volumes were more or less the same before the 1890s. This suggests that the growth of foreign imports led to that of coasting exports through the provision of external articles. The same relationship existed between coasting imports and foreign exports. Following the 1890s, however, a large amount of pepper produced on the outskirts of Kuching was exported without going through coasting trade, and from the 1910s, another commodity, a large amount of rubber was exported from Kuching and Sibiu via direct steamship lines to Singapore. As a result, the growth of foreign trade left coasting trade behind, as seen in the widening gap in Fig. 5.3.



**Fig. 5.3** Foreign trade and coasting trade in Kuching, 1860–1917. *Source Sarawak Gazette, Sarawak Trade Returns; Sarawak Government Gazette, Sarawak Trade Returns.* *Note* The units are expressed in Straits dollars

Nevertheless, the figure shows similar trends for foreign and coastwise trade after the beginning of the twentieth century.<sup>1</sup>

In addition, we explore commodities to gain deeper insight into the sectoral linkages of Sarawak’s trade. Table 5.3 presents a general pattern for commodity compositions in foreign exports and coastal imports in Kuching during the late nineteenth century. Although Sarawak’s trade statistics reported numerous local and extra-local products (a total of 119 articles) during 1870–1904, we aggregated them to specific items in the table. The upper half lists the percentages of items for foreign exports from Kuching, and indicates large shares of natural resins, forest products, and sago<sup>2</sup> before the 1890s, and also of minerals, if for a brief period,—mostly gold dust produced in the Kuching’s hinterland. The lower half of the table shows that coastal imports that include similar items—such as natural resins; forest products, such as rattans; and sago—maintained a predominant share throughout the late nineteenth century. It suggests that most local products imported into Kuching via coastal trade were re-exported abroad. In the articles for foreign exports, the percentage of peppers substantially increased in the 1880s, and became a significant export item after the turn of the century. As discussed, the expansion of pepper production by Chinese immigrants in Kuching’s vicinities created a gap in the trade growth between foreign and coastwise trade, which indicates that, with respect to the rest of commodities, foreign and coastwise trade had close linkages in Sarawak, and the commodities of coastal trade were probably transported through riverine trade, eventually reaching

<sup>1</sup>According to statistical data for Singapore’s trade, Sarawak was a minor trading partner that maintained an approximate 5% share for Singapore’s entire trade.

<sup>2</sup>Sago is a traditional starch food extracted from the indigenous palm in Insular Southeast Asia.

**Table 5.3** Commodities of foreign exports and coasting imports in Kuching, 1870–1904

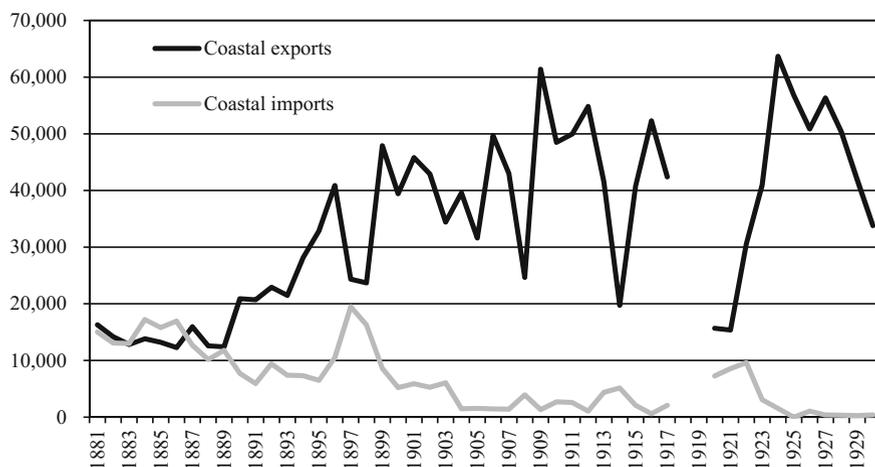
	1870	1875	1880	1885	1890	1895	1900	1904
<i>Foreign exports</i>								
Natural resins (%)	58.0	11.5	25.4	13.4	18.3	13.5	26.7	13.2
Rattans (%)	0.0	6.6	2.4	12.5	10.6	7.5	6.5	1.2
Forest products (%)	3.8	12.1	3.8	6.4	5.4	5.5	3.6	1.9
Gambier (%)	0.0	0.0	8.2	10.5	7.8	9.5	4.6	2.3
Peppers (%)	0.1	0.1	0.3	10.5	14.0	10.9	28.9	34.5
Sago (%)	8.9	32.4	28.8	19.2	20.2	31.1	17.3	11.0
Minerals (%)	6.1	16.0	12.1	8.3	7.9	8.9	3.0	24.8
Others (%)	7.2	11.8	9.2	10.0	10.9	7.8	5.1	6.9
Treasures (%)	15.8	9.6	9.6	9.1	4.9	5.3	4.2	4.2
Total	1,494,241	963,590	1,193,195	1,157,299	1,700,142	2,208,723	4,336,280	7,573,289
<i>Coasting imports</i>								
Natural resins (%)	58.2	16.2	33.7	23.3	31.6	28.8	42.4	38.0
Rattans (%)	0.0	3.3	0.3	17.6	14.1	12.2	9.9	4.2
Forest produces (%)	3.2	8.3	3.2	9.9	5.4	9.0	2.7	2.6
Pepper (%)	0.0	0.0	0.0	0.2	3.6	3.0	3.7	1.4
Sago (%)	11.1	38.0	34.2	20.6	23.0	23.0	27.4	24.4
Food (rice, fish, livestock) (%)	3.3	4.8	6.4	11.0	5.7	5.5	4.6	2.8
Minerals (%)	0.5	2.3	2.1	3.2	2.3	2.5	1.7	5.2
Others (%)	3.9	6.8	5.5	5.0	5.6	4.0	2.2	12.4
Treasures (%)	19.7	20.3	14.5	9.2	8.8	12.1	5.4	9.2
Total	855,882	515,637	762,957	632,570	751,044	872,565	2,307,416	1,925,170

Source *Sarawak Gazette*, Sarawak Trade Returns, 1870–1904

Note The total values are expressed in Straits dollars

inland forest dwellers. Such a functional linkage among the discernible trade sectors was established in Sarawak.

Nevertheless, the question remains of how the regional trading system centred on Singapore affected Sarawak's trade growth. As discussed, with growing raw material exports from Southeast Asia to Western industrialised countries, the intra-regional circulation of consumer goods also expanded in response to the increasing demand for primary goods' producers. In particular, following the 1870s, mainland Southeast Asian rice was transported on a massive scale to the island countries via Singapore's regional trade. The development of Singapore's regional trade was highly likely to have influenced Sarawak's trade growth because the former was the latter's most significant counterpart. Rice maintained an approximately 10–20% share in Sarawak's growing foreign imports during the pre-war period: most of the rice was supplied



**Fig. 5.4** Coastal rice exports and imports in Kuching, 1881–1930. *Source Sarawak Gazette, Sarawak Trade Returns; Sarawak Government Gazette, Sarawak Trade Returns; Sarawak Annual Report.* *Notes* The values are measured in piculs

from the mainland via Singapore. Once imported into Kuching, foreign rice widely circulated in Sarawak, and helped the country augment its primary goods' exports. Next, we explore how the internal circulation of rice developed in Sarawak.

Figure 5.4 depicts the coastal rice exports and imports in Kuching. It is assumed that coastal exported rice was originally imported from overseas, particularly from mainland countries via Singapore, and coastal imported rice was primarily produced by local Sarawak inhabitants. The figure also shows an increase in foreign rice exports from Kuching to the coastal areas, and a secular decline in the distribution of locally produced rice.

As for foreign rice, annual imports soared from about 60,000 piculs in the early 1880s, to about 170,000 piculs in the early 1900s, and finally reached roughly 420,000 piculs in the late 1930s (Trade Returns in *Sarawak Gazette* and *Sarawak Government Gazette*). According to these numeric values and the data presented in Fig. 5.4, while most foreign rice imported into Kuching was consumed by the city dwellers and neighbourhood, approximately 11–25% was likely to turn into coastwise exports. However, focussing on the early period in Fig. 5.4, it is evident that the volumes of coastal imported rice were comparable to those of coastal exports until the end of the 1880s. It is likely that the inland rice was transported to Kuching via coastal trade, and finally, consumed by its residents and surrounding inhabitants. While the unit price of foreign imported rice, on average, was 2.55 Straits dollars per picul during the 1880s, the coastwise imported rice was priced at 1.01 Straits dollars during the same period (Trade Returns in *Sarawak Gazette* and *Sarawak Government Gazette*). Foreign imported rice was priced higher most probably because its quality was superior to native rice like paddy—husked rice—produced by swidden agriculture. Meanwhile, it is likely that the cheaper native rice was provided to labourers

in the primary goods' industry, and contributed to the competitiveness of export in Sarawak. Thus, its circulation remained in the domestic trade until the 1880s. Accordingly, we can assume that the domestic trade did not just work for the dynamism of international trade as an extension that carried foreign products to natives, but also exhibited sustained adaptability to regional demand. Until the 1880s, while the Sarawak economy was responsive to the growing world economy, it maintained an autonomous system of local trade.

Nevertheless, after the 1890s, Sarawak's economy eventually integrated into the Singapore-centred trading system. Figure 5.4 shows that the volume of coastal imported rice gradually decreased after the 1890s. Rice was scarcely imported via coastwise trade after 1900, although around 1920, its imports temporarily increased, possibly to cope with the fall in coastal rice exports. By contrast, the volume of coastal exported rice from Kuching to rural cities was increasing at a rapid rate, and was expected to facilitate the expansion of the production of primary goods, such as pepper, rubber, and forest products. Due to the massive inflows of foreign rice from Singapore, local rice was no longer demanded, and thus, its domestic circulation almost ceased. Therefore, a majority of the commercial productions in Sarawak's economy further focussed on industrial raw materials; the region intensively exported them to Western industrial nations in exchange for the imports of manufactured goods and regional foodstuffs. This was the effect of integration of Sarawak into the regional trading system centred on Singapore. Thus, Singapore served as an interface for Sarawak to connect with both long-distance trade with the West and regional trade with Southeast Asia.

## 5.5 Conclusions

The previous sections discussed one of the trade growth patterns in nineteenth-century Southeast Asia by focussing on Singapore's regional trade. This section summarizes the above discussion.

Following its foundation in 1819, Singapore's trade grew as a result of transit trade connecting long-distance and regional trades. The initial driving force for trade growth was the influx of British cotton goods. With Singapore at the centre, British cotton goods circulated across the region as reasonably priced consumer goods freely or even with the tariff barrier set by the Netherlands. The massive imports of industrial products induced the growth of primary goods' exports to the West, thus moving the terms of trade in favour of Southeast Asia (Kobayashi 2017). In other words, by initiating the inflows of industrial products, while preserving the momentum of China-oriented trade since the eighteenth century (see Chap. 4 of this volume), Southeast Asian trade progressively consolidated its trade relationship with the West in line with Singapore's trade growth. In addition, the vigorous commerce by Asian merchants who managed Singapore's regional trade was indispensable to the circulation of industrial products at this time. Asian merchants' reaction towards the emerging business opportunity, that is, the arrival of British industrial products,

drove the trade growth of Singapore as a new-born emporium, and the trading system, centred on Singapore, flourished by the end of the mid-nineteenth century.

Following the second half of the nineteenth century, owing to the improvement of transport infrastructure, the geographical range of Chinese mercantile activities expanded to unexplored areas, such as the Malay Peninsula and Dutch ruling islands, where native traders dominated the commerce. Furthermore, after the 1870s, numerous Chinese and Indian immigrants began flowing into Insular Southeast Asia, and began to work in mines and on plantations. With the arrival of immigrants and expansion of raw materials production, the demand for consumer goods surged. To satisfy the rising demand for food, mainland Southeast Asia exported a large amount of rice to the island countries via Singapore. In exchange for the supply of foodstuffs, industrial raw materials were imported into Singapore and re-exported to the West.

The final section discussed the linkage between Singapore's regional trade and Sarawak's local trade. Sarawak's trade grew as a result of the connectivity between foreign and local trades. At a glance, Sarawak's local trade seemed to be a mere extension of the foreign trade. However, the internal circulation of rice, for example, indicates that local traders distributed the country's commodity to fulfil local demand. Singapore's regional trade could not exert a strong influence on Sarawak's local trade solely by providing industrial products. Eventually, after the 1890s, as the circulation of foreign imported rice expanded across Sarawak via local trade, the production of raw materials for industrial economies was reinforced. Thus, the development of Singapore's regional trade consolidated the linkage with each country's local trade, and as a result, the Southeast Asian economy strengthened the intra-regional trading relations and the connection with the West-led global economy.

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