

CHAPTER VII

Trade and Shipping

The commercial motives for the original settlement on Penang island in 1786 were still in the minds of the Directors when that settlement was raised to Presidency status in 1805. They spoke of the probability of Penang becoming a more extensive depôt for the commodities of India and China, and its convenient situation as an entrepôt of Asian, particularly archipelago trade. The Company naturally hoped that by its trading activities, Penang would become self supporting, and it was anticipated that commerce would follow the pattern set up in 1786: opium from Bengal, pepper from Penang and Sumatra and woollens, iron and other manufactured goods from Britain, to meet the requirements of the Malays, Siamese and Burmese, with whom Penang carried out most of her local trade.¹ For a while the Directors' expectations were fulfilled, because in spite of the slump in the pepper market, Penang's trade continued to increase until 1810. This unchecked prosperity arose from the attraction of Penang as an alternative to the Dutch ports with their heavy duties. Only after 1811 when

1. London to Penang 14 April 1805, para. 45-7, JIA, VI, 24-5.

the British occupation of Java removed the duties imposed by the Dutch did Penang's trade undergo serious difficulties.

One of the purposes of the British settlement at Penang was to provide a port from which small native vessels and country traders could undertake the distribution of British goods throughout the archipelago. The trade was important to the Company, because it brought into the hands of country traders Spanish dollars and goods suitable for trade with China. Along with opium and cotton from India, these were taken to Canton, where the proceeds were exchanged for Company's bills on London or the Indian Presidencies, thus providing the Company with the means of purchasing tea. Penang was also considered a valuable channel by which British manufactures and the produce of India could be distributed in the archipelago, especially further east.² The most important of these products were British woollens, chintzes and iron, and opium purchased privately from Company sales in Bengal.

British goods in Penang were sold from the Company's warehouses, not usually to resident merchants but to visiting native traders.³ In 1805 the Directors, after pointing out that at other Presidencies European imports

2. Wright (1961), 165, 223.

3. Ibid., 223.

were usually disposed of at public sales, suggested that one annual sale after the arrival of the European ships might be suitable for Penang, but nevertheless left the regulation of sales to the discretion of the Penang Government.⁴ It was soon decided that because the purchasers of these goods were small traders arriving from time to time to purchase European manufactures, the warehouse⁵ should be opened daily for business, and in 1808 it was still considered to be the most advantageous mode of disposing of imports from Europe.⁶ The practice continued until 1813 when the effects of the occupation of Java were being felt, and the volume of trade was decreasing. The daily opening of the warehouse was discontinued, and instead, the system of periodic sales was established. No retail business was done, and instead, tenders for various articles were sought by advertisement, and goods were sold in lots to the highest bidder. Thereafter a⁷ large amount of goods were disposed of in this way.

4. London to Penang 14 April 1805, para. 25, JIA, VI, 25.
5. Penang to London 12 November 1805, SSR (SNL) B1.
6. Pearson to Raffles 27 January 1808, Penang Consultations 29 January 1808, SSR (IOL) XIX, 71.
7. See Khoo Hock Cheng, The Trade of Penang 1786-1823 (Academic Exercise, University of Malaya 1959), 40-41, (Penang to London 10 March 1813, 13 November 1813, 25 September 1814, SSR (SNL) B3.) For examples of tenders submitted by various Agency Houses see Penang Consultations 29 September 1813, SSR (IOL) XL, 1469-70, 1533-4.

Of the British exports to Penang, woollens were considered the most important, but on the spot they had a limited and uncertain sale, and the Warehousekeeper was instructed to obtain information about the demand in the neighbouring countries and islands to the eastward, as well as to introduce woollens into the markets of

Rangoon and Siam. As a stimulus to sales, Pearson the Warehousekeeper suggested that the price of woollens at Penang should be reduced from 20% advance on the invoice price to 10% from the beginning of the next official year, which he felt would make the demand increase doublefold.

As early as 1806 investigations were being made into the likely markets for British woollens in Siam and Burma, and in 1808, John Foote, who had been sent to Rangoon to supervise the despatch of timber for the shipbuilding project at Penang, was asked at the same time to investigate the possibilities of an exchange of woollens for rice. The rate of exchange arranged by Foote was 200 baskets of rice for one piece of broadcloth

8. Wright (1961), 225.

9. Penang to London 31 July 1806, SSR (SNL) B1, 134; Cowan (1950), 28; Wright (1961), 224.

10. Pearson to Raffles 27 January 1807, Penang Consultations 29 January 1808, SSR (IOL) XIX, 71-2; Penang to London 29 January 1808, SSR (SNL) B2, 158; Cowan (1950), 32.

11. Khoo Hock Cheng (1959), 29 (from Penang to London 17 January 1807, SSR (SNL) B2; Wright (1961), 224,

24 yards long. He emphasised the need for the colour to be suitable for the local market and suggested that most appropriate colours would be blue, green, red and to a lesser extent yellow. ¹² The Penang government

agreed to carry out this arrangement at the rates ¹³ specified, but in practice the Burmese bought only

100 pieces of blue and green coloured cloth. ¹⁴ When the

shipbuilding project at Penang was abandoned and no more

timber was required from Rangoon, communication between

the two ports decreased. It was known that a market

for green cloth [the national colour of the Burmese]

was always available in Rangoon, but the regulations of

the Burmese government, by making cash payments impossible, ¹⁵ rendered such trade impracticable.

The sale of English chintzes or cotton piece goods among the Malays was more successful, and in July 1806 the government ordered a carefully selected consignment to the value of £10,000, on the assumption that they could be easily disposed of, provided they met the demands of the Malays. ¹⁶ In a reference to the Malay market in

12. Foote to Clubley 19 January 1808, Penang Consultations 18 February 1808, SSR (IOL) XIX, 127-31.
13. Pearson to Raffles 16 February 1808, Raffles to Foote 18 February 1808, Penang Consultations 18 February 1808, SSR (IOL) XIX, 132-8.
14. Foote to Raffles 2 April 1808, Penang Consultations 19 April 1808, SSR (IOL) XIX, 451-3.
15. Minute by Erskine 13 March 1813, Penang Consultations 20 March 1813, SSR (IOL) XXVIII, 479-80.
16. Penang to London 31 July 1806, SSR (SNL) B1, 134; Cowan (1950), 28. They seemed to prefer "A dark ground and a larger figured pattern of fine quality."

1808, the Warehousekeeper reiterated the need to conform to the requirements of the market, since the goods remaining unsold in the warehouse were of colours disliked by the Malays. He stressed that the selection of supplies of woollens and chintzes for Penang should be made carefully, because many of the Company's sales were affected by the "capricious disposition" of the Malays in their choice of colours and patterns.

17

As with other goods, the inhabitants of Penang insisted on a particular size of bar iron, which was in constant demand by the Chinese settlers, and was usually sold at an advance of 30% on the invoice price. British iron was at first in higher demand than Swedish iron because of its lower price, and because the latter was in bars too thick to be easily worked by eastern artisans. At first larger quantities of the British variety were ordered, but the Penang Government continued to ask for Swedish iron, especially in thin bars.

18

In February 1811, Council pointed out that iron in small flat bars had a better market in Penang, because much of the larger square and rod iron had been in stock for years. At the end of the same year the newly arrived

17. Pearson to Raffles 27 January 1808, Penang Consultations 29 January 1808, SSR (IOL) XIX, 72-3.
18. Ibid., 73; Penang to London 31 July 1806, SSR (SNL) BT, 134; Cowan (1950), 28; Wright (1961), 225; Penang to London 28 November 1811, SSR (IOL) XXXI, 1552-4. See Appendix VII C.

British iron on the Company ships was reported to be in fair demand, and it was thought that the same would apply to Swedish iron if it were procurable in thin rather than thick bars. Since specimens of copper had then been sent for the first time, they were not yet in demand either by European or native merchants. In 1813 the ~~Warehousekeeper was still optimistic about the demand~~ for iron. He felt that 600 tons of British iron could be disposed of annually at a profit of 30% to 40%, provided the bars were $\frac{1}{2}$ " to 2" broad and 10 to 12 feet long. Furthermore, Swedish iron in thin bars was still being requested by native traders.¹⁹

In 1810 the Directors' consignment of British printed cotton to Penang amounted to 1,300 pieces, but in the opinion of the Penang merchants this quantity exceeded the demand, and some was re-exported to Calcutta by the purchasers. In the same year the Warehousekeeper reported that British manufactures valued at £75,000 had accumulated in the Company's stores, consisting of cloth which could only be sold at a considerable loss, because they were of colours greatly disliked by the Malays. The Warehousekeeper repeated his previous warnings that supplies confined to particular patterns should be

19. Penang Consultations 14 February 1811, SSR (IOL) XXX, 177; Penang to London 28 November 1811, SSR (IOL) XXXI, 1552-4; Minute by Erskine 13 March 1813, Penang Consultations 20 March 1813, SSR (IOL) XXXVIII, 482.

sent. The Governor ordered sales of the remnants by public auction in small lots, so as to be within the means of small native traders from the east. In November 1810 £11,000 of goods were offered, but less than one-fifth was sold, consisting of 25 lots of chintzes at a profit of 15% or more, 110 lots of woollens at a profit of about 8%, a small amount of cutlery at a profit of 50%, and only one lot of iron. Sales of these remnants were still continuing in 1812, when some of the goods²⁰ were sold at a loss.

In 1811 the Warehousekeeper informed Council that there was still a considerable quantity of British cloth on hand which could not be sold in Penang because of its unsuitability for the market. A considerable quantity had been sent from Madras where it had been stored for some years, and other cloths were objected to either because of the high prices or because the colours were not liked by the traders. The extent, he said, to which this trade could be carried on in future depended on the nature of Penang's political connections with the neighbouring and eastern states. It was hoped, however, that the sales of cloths and metals to the Bugis traders²¹ could be considerably extended.

20. Wright (1961), 225-6, (from Penang Consultations 29 January 1808, 11 October, 18 October, 15 November 1810, 26 November and 17 December 1812).

21. Penang Consultations 14 February 1811, SSR (IOL), XXX, 175-7.

II

The British invasion of Java at first appeared to offer advantages for Penang's trade. The Penang authorities sent samples of woollens and chintzes from the warehouse to Seton, then Governor of Penang, who was accompanying the expedition, and expressed the hope that with the extension of British influence in the area, Penang's sales of woollens would be considerably increased.²² Seton persuaded Raffles to approve most of the samples. The selection of the goods at Penang was carefully made: there were woollens in plain colours and in red, blue, green and yellow, particularly scarlet, carpeting and blankets of large size, chintzes in packages as sent from England, and iron in small bars, sheet lead and light sheet copper. Raffles then sent the brig Mary Anne to Penang to collect the consignment valued at £11,000, and he expressed the opinion that the goods could easily be sold, provided they arrived before the market could be supplied from other sources.²³

It was not Raffles' intention that Penang should permanently enjoy the benefit of the trade with Java, for he advised the Court of Directors to send woollens,

22. Penang to London 15 August 1811, SSR (IOL) XXXI, 993; Wright (1961), 227.

23. Raffles to Seton 29 September 1811, Seton to Phillips 30 September 1811, Penang Consultations 8 November 1811, SSR (IOL) XXXI, 1393-1396; Wright (1960), 227.

chintzes, iron etc. to Batavia, at least to the extent of its former consignments to Penang. The Directors had already sent out two ships after the news of the conquest had reached London, and Raffles hoped that a reduction of costs could be made by shipment direct from Britain to Batavia instead of through Penang.²⁴ In spite of Penang's high expectations about the extension of its market for woollens in Java and the islands in the neighbouring seas, the amount of sales of Penang-sponsored goods had decreased considerably in Java by 1813. The number of Bugis prows coming to Penang had also declined considerably, as many had remained at Rhio, and others²⁵ no doubt preferred to go to Batavia.

Nevertheless Penang continued to act as a source of provisions and military stores for Java, and Java in return was ordered by the Directors to send Penang and Malacca supplies of rice.²⁶ In August 1812, on the request of Raffles, a large consignment of civil and marine stores was conveyed to Batavia on the chartered brig Hope. These stores consisted, as requested, of a

24. Wright (1961), 227-8.

25. Penang to London 28 November 1811, SSR (IOL) XXXI, 1550; Penang Consultations 20 March 1813, SSR (IOL) XXXVIII, 478-9.

26. Batavia to Penang 17 January 1812, Penang Consultations 19 March 1812, SSR (IOL) XXXIV, 267; Batavia to Penang 17 March 1812, Penang Consultations 13 November 1812, SSR (IOL) XXXV, 566-7.

258

number of bales of red, blue and green cloth, chintzes, Malay handkerchiefs and Bugis cloths, and also iron, copper bolts and nails etc.²⁷ This shipment, however, was a temporary measure, and of no continued benefit to Penang's trade.

III

By 1813 the stagnation of trade at Penang was beginning to be felt. In submitting the annual indent for the supply of civil and marine stores to the government, the Warehousekeeper drew attention to the decrease in the amount of sales compared with previous years. This was accounted for by the extensive amount of chintzes, woollens, metals, cutlery and marine stores which had been sent to Java in the previous two years. Other surrounding ports such as Bangka had then been supplied with these goods from Batavia. Fewer Bugis prows had visited Penang in the previous year, because they preferred to stop at Rhio. Trade with Rangoon had naturally decreased after the termination of shipbuilding at Penang had eradicated the demand for teak. Furthermore, disturbances at Schen and Palembang had affected sales

27. Raffles to Seton 2 July 1812, Penang Consultations 5 August 1812, SSR (IOL) XXXV, 1128-9; Master of the Brig Hope to Cousens 9 August 1812, Penang Consultations 14 August 1812, SSR (IOL) XXXV, 1201-2; Erskine to Cousens 13 August 1812, Penang Consultations 20 August 1812, SSR (IOL) XXXV, 1231-2.

28

there, especially of cutlery.

In 1814 the Warehousekeeper again commented on the unsatisfactory sales of civil and marine stores at Penang, and suggested means for their disposal. Though the sale of woollens had increased threefold, that of iron was not so successful owing to the unsuitability of supplies sent out. Sales of cutlery had increased, and so would those of chintzes had the supply been suited to the market. Copper was in little demand, and the decreasing number of ships calling into Penang had rendered insignificant the sale of marine stores. Since no tenders

29

were received for the purchase of these stores, the Warehousekeeper suggested that a public sale at the warehouse should be held for the disposal of woollens, chintzes, cutlery etc. at reduced prices. Woollens and chintzes worth \$5,000 were on hand, many pieces partly faded from long storage, and other goods could be sold at a 15% or 20% discount if buyers could be found. At the sale in May 1814 little iron, cutlery and copper was disposed of, but the woollens and chintzes put up at a discount of 20% and 30% were more successful, and yielded

30

-
28. Minute by Erskine 13 March 1813, Penang Consultations 20 March 1813, SSR (IOL) XXXVIII, 479-80, 494.
 29. Minute by Erskine 4 February 1814, Penang Consultations 5 February 1814, SSR (IOL) XLIII, 208-10.
 30. Erskine to Clubley 14 February 1814, Penang Consultations 17 February 1814, SSR (IOL) LXIII, 314-16; Erskine to Clubley 24 March 1814, Penang Consultations 26 March 1814, SSR (IOL) XLIII, 718-19.

\$14,611.25. Later in the year, tenders offered for the purchase of some of the cutlery and all the remaining chintzes were accepted, despite the low price offered, because some of the chintzes were faded and damaged after lying seven or eight years in store. ³²

The increased prices of warehouse goods arising from increased charges on freight, insurance, transport etc. led to the decision by Council that retail sales should be renewed to enable inhabitants to purchase small quantities of goods, especially in view of the cheaper prices offered by private merchants, and the severe losses from the fire in Georgetown. The system of periodic public sales was to be resumed as soon as conditions improved. ³³

Nevertheless, it was hoped that as much as possible of the flat iron and other goods could be sold before the free traders from England and other ports arrived with similar goods, and reduced the price in the eastern market. ³⁴

But the results of a public sale held in December 1814 were poor, yielding only \$6,249. Some woollens, a few chintzes and cutlery were sold, but no iron, and this apathy was likewise attributed to the recent fires. ³⁵

31. Committee of Public Sales to Cousens 12 May 1814, Penang Consultations 19 May 1814, SSR (IOL) XLIV, 1065-6.
32. Erskine to Clubley 29 July 1814, Penang Consultations 30 July 1814, SSR (IOL) XLIV, 1600-1.
33. Warehousekeeper to Clubley 5 September 1814, Penang Consultations 8 September, 13 October, 1814, SSR (IOL) XLV, 2033-5, 2385-6.
34. Penang Consultations 27 October 1814, Minute by Governor, SSR (IOL) XLV, 2062-4.
35. Acting Warehousekeeper to Clubley 20 December 1814, Penang Consultations 27 December 1814, SSR (IOL) XLV, 3021-2.

In January 1815 the Acting Warehousekeeper, W. Bennett, again stressed the high demand for iron, provided it was suitable for the market. Being one of the principal British articles sold in the island, a supply of 600-800 tons of thin bars could always be disposed of. Square and flat iron was in no demand, and no more should be sent from England.³⁶ In the following month Erskine reported on the quantity of large unsuitable square hoop and bolt iron still in store. He proposed to put up public tenders for the disposal of 800 piculs of small bars. Not only had the fires at Georgetown lessened purchase by blacksmiths, but sales at Penang had been affected by the distribution in Java and other eastern ports of iron originally sent from Penang to Canton.³⁷ Tenders offered by Forbes and Brown for 1600 piculs of British flat iron were very low, because the Arab vessels and Bugis prows, the principal purchasers of iron, had already sailed, and the arrival of the annual importation by the Company and country ships was imminent.³⁸

The reasons for the less extensive and profitable sales at Penang were considered by Erskine to be beyond

-
36. Acting Warehousekeeper to Clubley 21 January 1815, Penang Consultations 23 January 1815, SSR (IOL) XLVIII, 191-2.
37. Penang Consultations 22 February 1815, Minute by Erskine, SSR (IOL) XLVIII, 323-5.
38. Forbes and Brown to Erskine 9 March 1815, Penang Consultations 11 March 1815, SSR (IOL) XLVIII, 543-4.
-

the government's control. The imports direct from England into Java had severely affected Penang, because eastern traders, especially the Bugis, could easily obtain supplies from Java without undergoing the 'protracted navigation' to Penang. Furthermore, goods originally sold at the Penang warehouse and sent to Java had been bought cheaply there and re-sold at Penang at one-third less than the original invoice price. The effect on the inhabitants of the fires at Georgetown was again mentioned, but there were expectations of an improvement in commerce as a result of a new regulation for the tiling of all
 39
 houses.

So the trade recession during this period, both according to Cowan and from documentary evidence, seems to have been the direct result of the British occupation of Java, and also ^{of} the disturbed state of Acheh in North
 40
 Sumatra. As soon as the administration of Java and other Dutch islands came under British control, the adoption of a low trading tariff in the occupied territories placed the Penang merchants at a disadvantage. Trade formerly drawn to Penang because of the high duties of the Dutch returned to the more conveniently situated Batavia. Furthermore, the Calcutta and Madras merchants could supply

39. Penang Consultations 27 April 1815, Minute by Erskine, SSR (ICL) XLIX, 813-5.

40. Cowan (1950), 6. See Appendix VII G.

the Batavian market much more profitably than their rivals of Penang. The former paid Company duties at India and at Batavia, while the Penang merchants paid three times, in India, at Penang and at Batavia. Although Penang's Customs regulations were modified in 1812, the disadvantages of her position at the edge of the archipelago became more evident when duties elsewhere were moderate. Other disadvantages of the British occupation of Java were first, the setback to the tin trade of Penang when the British took over Bangka, the Dutch monopoly becoming a British monopoly, and second, Raffles' policy towards the opium trade in Java.⁴¹

IV

Captain Light had considered that the consumption of opium from the Calcutta sales in the Malay archipelago could be increased by a more orderly and regular distribution from Penang, and to achieve this he had at first asked for a supply on the Company's account so that it might be sold at moderate prices. Later, the activities of private British and American merchants in the distribution of opium in the archipelago made this unnecessary, and so as not to discourage bidding at the Calcutta sales,

41. Cowan (1950), 6-7. For Customs regulations see Chapter IV.

the arrangement was⁴² abandoned. The last importation of opium from Bengal to Penang on the Company's account was 250 chests in 1798, which yielded a profit of 38%.⁴³ The Company had an indirect interest in the opium trade because the sale of opium to the private merchants in Bengal formed one of its main sources of revenue.

The Penang Government in 1805 estimated that the annual demand for opium in the archipelago was about 1,000 chests, half of which was supplied through the channel of European and American merchants in Penang, and the other half by the Bengal merchants. In 1804/5 the large imports of opium into Penang at prices from 1300-1400 Spanish dollars per chest, yielded a profit of 56% to 69% on the cost price in Bengal. The Penang Government felt it could gain a further share in the profits of the opium trade if additional sales could be conducted through Penang rather than Bengal. It felt that there would be no difficulties in disposing of several hundred chests at the above rates, and suggested that the Company itself should participate in the profits from these markets through sales at Penang.⁴⁴ An application was later made for an opium consignment to be sold in Penang on account of the Company. The Bengal Government, however, was

42. Wright (1961), 165-6.

43. Penang to London 12 November 1805, SSR (SNL) B1, 13-14; Cowan (1950), 23.

44. Ibid., 14-15; Cowan (1950), 23.

reluctant to sell opium on the Company account at Penang because ^{the export of opium by the Company was considered to operate} as a discouragement to the purchasers at the public sales in Calcutta, and because the Bengal Government had been engaged to the public since 1798 not to export any opium on its own account.
45

In 1808 Pearson, the Warehousekeeper, in submitting his recommendations concerning the opium trade to the Court of Directors, stated that only 250 of 1000 chests sold in the archipelago were landed at Penang, and of these only 60 chests were consumed locally. The rest was sent direct from Calcutta to the eastward by speculators, mainly from Bengal. By this time the Penang government had abandoned its advocacy of Company opium sales at Penang, and pointed out that however much an annual consignment of opium on the Company's account might benefit Penang, it would not be of the least advantage to the Company. Rather it was argued that any interference in the opium trade as it was then managed would bring serious consequences to the revenue arising from the sale of the article in Bengal, which could not be counterbalanced by any profit expected to arise from its import

45. Penang to London 31 July 1806, SSR (SNL) B1, 134; Cowan (1950), 27-8.

46

into Penang by the Company. Penang therefore admitted its inadequacies as a distribution centre for the opium trade of the archipelago, and recognised that the necessity of maintaining revenue from opium in Bengal was paramount.

In 1812 Penang's opium trade was upset by Raffles' policy in Java, where at first no imports were admitted anywhere but at Batavia, and then only on the payment of \$500 import duty on each chests. The merchants of Penang petitioned first the Penang Government and then the Supreme Government against the virtual prohibition of opium imports into Java, despite the assurances of Bengal that the trade would remain open in Java and its dependencies on the same footing as in Sumatra and Penang.

47

The Penang merchants pointed out that at the recent sales of 16 December 1811 and 18 February 1812 in Calcutta, the agents of nine Penang firms had purchased Patna and Benares

-
46. Pearson to Raffles 27 January 1808, Penang Consultations 29 January 1808, SSR (IOL) XIX, 73-5; Penang to London 29 January 1808, SSR (SNL) B2, 158-62; Cowan (1950), 32-3.

Pearson considered that if all the opium for distribution in the Malay market was consigned to Penang to await purchasers, the demand, partly because of the lack of capital among the merchants, would be lessened; and that if the Company were only to send part of the opium prepared for the eastward, the sale of the latter would be affected, and the purchasers of the same enabled to undersell the Company in Penang.

47. Merchants of Penang to Clubley 18 April 1812, Penang Consultations 22 April 1812, SSR (IOL) XXXIV, 473-5; Merchants of Penang to Minto 12 July 1812, Penang

its inadequacies as a distribution centre for the opium trade of the archipelago, and recognised that the necessity of maintaining revenue from opium in Bengal was paramount.

In 1812 Penang's opium trade was upset by Raffles' policy in Java, where at first no imports were admitted anywhere but at Batavia, and then only on the payment of \$500 import duty on each chests. The merchants of Penang petitioned first the Penang Government and then the Supreme Government against the virtual prohibition of opium imports into Java, despite the assurances of Bengal that the trade would remain open in Java and its dependencies on the same footing as in Sumatra and Penang.⁴⁷

The Penang merchants pointed out that at the recent sales of 16 December 1811 and 18 February 1812 in Calcutta, the agents of nine Penang firms had purchased Patna and Benares

46. Pearson to Raffles 27 January 1808, Penang Consultations 29 January 1808, SSR (IOL) XIX, 73-5; Penang to London 29 January 1808, SSR (SNL) B2, 158-62; Cowan (1950), 32-3.

Pearson considered that if all the opium for distribution in the Malay market was consigned to Penang to await purchasers, the demand, partly because of the lack of capital among the merchants, would be lessened; and that if the Company were only to send part of the opium prepared for the eastward, the sale of the latter would be affected, and the purchasers of the same enabled to undersell the Company in Penang.

47. Merchants of Penang to Cluibley 18 April 1812, Penang Consultations 22 April 1812, SSR (IOL) XXXIV, 473-5; Merchants of Penang to Minto 12 July 1812, Penang Consultations 18 July 1812, SSR (IOL) XXXV, 936-943. The petitioning merchants were Carnegie and Co., Thomas Halyburton, McGee and Dunbar, Forbes and Brown, Brown and Stuart, Syed Hussein, F. Ferras, Arratoon Apear and Averet Agabeg. See later section on Agency Houses. For Raffles' policy on opium see Wright (1961), 177-88; Wurtzburg (1956), 255-6.

opium at considerably increased prices, because of the expectation of increased markets in the territories recently occupied by the British. The contrary situation occurred and had widespread effects. The market for opium in Penang decreased, because the Bugis, generally the principal purchasers, who had hoped to make sales in Java, felt it could not be sold at a price sufficient to reimburse its original cost. The Penang firms therefore could either send their opium to the eastern ports for a market or sell it at Penang at the low price of \$825 to \$925 per chest. Some of it was sold at losing prices at ports on the coast of Borneo and elsewhere, and some sent to eastern ports was unsaleable at any price which would cover its cost. Previously Penang carried on an extensive barter trade of opium for tin at Bangka, but after the occupation of Bangka by the Company, all the tin was monopolised by the Resident there acting under the orders of the Java government. So the barter trade had come to the end, to the misfortune of both the tin and the opium trade of Penang. It had even been rumoured that the Resident at Bangka had opium stores there for sale on the Company account, which was contrary to the implied conditions of the opium sales at Calcutta. Even though they had been informed that part of the restrictions on the import of opium in Java had been withdrawn, the

Penang merchants felt that their opium still faced unfair conditions in Java and Sumatra, compared with consignments direct from India, since it could be imported only at Batavia, Semarang and Surabaya. Furthermore, the import duties at some of the dependencies of the Java government were over 12% more than in Java itself. ^{also} Furthermore, in Penang every holder of opium was allowed to carry on the retail trade in that article, and the exclusive privilege granted to the farmer extended only to opium prepared for smoking, whereas in Java the whole retail trade in opium was vested in the farmer. The Penang merchants therefore were obliged to dispose of their opium at an arbitrary price, as compared to the system ⁴⁸ upon which opium was farmed at Penang.

In answer, the Bengal government informed Penang that the \$500 duty per chest in Java had been repealed, thereby leaving its importation perfectly free. Furthermore, the compensation which had been granted to those who purchased opium under the conditions of the sale of 7 December 1811 and who delivered their opium to the government of Java would similarly be extended to the ⁴⁹ merchants of Penang as to other importers at Batavia.

48. Penang Merchants to Minto 12 July 1812, Penang Consultations 18 July 1812, SSR (IOL) XXV, 936-43.
49. Bengal to Penang 29 May 1812, (enclosure: Ricketts to Messrs. Fairlie Fergusson & Co. Calcutta, 15 May 1812), Penang Consultations 3 September 1812, SSR (IOL) XXV, 1296-1310.

However, compensation would not be made for that part of their purchases which had been disposed of outside Java.⁵⁰

In 1813 news was received from Java, that included in the Java government's regulations for trade in opium, was the stipulation that all opium on which duties had already been paid in Penang and Malacca were exempted from any further payment at Batavia. To facilitate the identification of opium from Penang and Malacca, the Penang Government was asked to adopt some mark for recognition⁵¹ of such opium.

In 1813 the Warehousekeeper submitted a table of the distribution of annual sales of opium. Of 900 chests imported to Penang, only 30 were consumed locally. The rest were distributed to various parts of Sumatra and the Malay peninsula, the most being to Ligor and Siam (120 chests), Acheh and Susu (100 chests), Bencoolen and Padang (100 chests), and Rhio, Palembang and Jambi, and Pontianak, each 50 chests. Opium for China and Macao, Java and the islands further to the east was distributed separately.⁵² Because of the disturbed conditions in Sumatra and later in the Malay States, the export of

50. Bengal to Penang 16 October 1812, Penang Consultations 7 January 1813, SSR (IOL) XXXVIII, 25-6; also SSR (SNL) E3.

51. Raffles to Petrie 23 April 1813, Penang Consultations 27 May 1813, SSR (IOL) XXXIX, 915-6.

52. Minute by Erskine 13 March 1813, Penang Consultations 20 March 1813, SSR (IOL) XXXVIII, 486. See Appendix VII D.

opium from Calcutta to Penang fell considerably from 1096 chests in 1813 to 489 chests in 1817.⁵³ After 1816, when opium prices were very high, consumption in Penang itself was said to be 28 chests, and its total export trade was estimated at 800 chests. In these years it continued to be an object of British policy to ensure freedom for native vessels from the archipelago to purchase opium from Penang.⁵⁴

V

Since one of Penang's main commercial purposes was to act as a centre of entrepôt trade, its trade with the archipelago is of major interest and importance. Besides acting as a distributing centre for European and Indian articles, it also formed a collecting centre for products from the archipelago. The latter were brought in by the various native traders in return for the manufactured goods required in their own countries. Imports from the archipelago included pepper, tobacco, rattan, betelnut and tin, which were in turn exported to China,⁵⁵ either on the limited Company shipping or by private traders. For instance Penang was an important

53. See Appendix VII J.

54. Wright (1961), 170.

55. See Appendix VIIA, VII B, VII E, VII I.

depôt for pepper supplies from Acheh and the west coast of Sumatra, from the east coast of Sumatra such as Deli and Langkat, and also from Trengganu.⁵⁶ The imported pepper was then exported with the local production, mainly in country ships, in fluctuating quantities, to China, Bengal and other Indian ports and Mauritius, to mainland Europe and America, and in small intermittent amounts,⁵⁷ to Britain. In 1814, W.E. Phillips, elaborating on the

value of Penang, described it as an entrepôt for the merchandise of the east and west of India, affording a ready and safe means for the barter of opium, piece goods and other commodities of India in exchange for the tin, rattans, betelnut and pepper of the Malayan countries. The latter, being suited to the China market were bartered for tea, and lessened the British dependence upon specie⁵⁸ as a remittance to Canton.

However one of the main problems of Penang's trading activities was the shortage of shipping to transport goods to China. The Penang Government recognised this in 1807, when it requested the Court of Directors to order outward bound China ships to touch at Penang because it was "upon the exports to China by these ships that our

56. Bastin (1960), 58; Cowan (1950), 156. See Appendix VI C.

57. See Appendix VI D.

58. Penang Consultations 25 June 1814, Minute by Phillips, SSR (ICL, XLIV, 1427-8; See Appendix VII E.

principle revenue arises."⁵⁹ In November 1807 the request was repeated with the plea that surplus tonnage be placed at the Collector's disposal.⁶⁰ In the years 1807-9 Penang's pepper produce, being unwanted in London, was transported to China and successfully sold there. The shortage of ships to carry export goods to China became more apparent in the years 1811-16. The Company preferred to carry more profitable cargoes of cotton on its ships rather than pick up pepper or other produce from Penang. Sometimes the goods were exported from Penang as the Captain's privilege tonnage, but this was insufficient both in space and in the number of ships that passed through Penang. There were a few Portuguese ships carrying exports of local Chinese traders proceeding to Macao, and some country ships, but these preferred to dispose of their opium and specie in the Dutch possessions, or⁶¹ load to capacity in India direct for Canton.

Some idea of the activities of the Company and country ships can be gained from the consultations. It appears that the Company ships, apart from the yearly consignment of cottons, woollens and iron for sale from the warehouse, concentrated mainly on provisions designed

59. Penang to London 17 January 1807, SSR (SNL) B2, 76; Cowan (1950), 31.

60. Penang Consultations 13 November 1807, SSR (IOL) XVIII, 1033.

61. Cowan (1950), 6.

for local consumption, such as rice, dhal, wheat and
 ghee from Calcutta,⁶² and salted meat from Europe. For
 example, in September 1811 six Company ships from Europe
 en route to China brought to Penang provisions of salt,
 beef and pork,⁶³ and in May 1812 the Company ship Warren
Hastings brought to Penang a consignment of copper coin,⁶⁴
 and ghee from Calcutta.

The few instances of the transport of a small
 amount of local produce to China by Company ships
 seemed to be the exception rather than the rule. In
 August 1812 the Penang Government was informed through
 Madras that the agent at Penang of a Mr. Edward Walls
 was entitled to ship on the Company ship Winchelsea to
 China 15 tons of goods consisting of tin, betelnut and
 pepper.⁶⁵ The agents, Messrs. Ogilvie and Hutton, were
 accordingly granted this privilege by Council, and 16 tons
 of pepper were shipped on the Winchelsea.⁶⁶ In 1812 also,
 the Captain of the Burat Castle tendered cordage, canvas
 and two fire engines to the Penang Government, and both

62. See Appendix VII J.

63. Penang Consultations 12 September 1811, S3R (IOL) XXXI, 1122.

64. Penang Consultations 23 May 1812, S3R (IOL) XXXIV, 626-7.

65. Penang Consultations 5 August 1812, (extract from Board of Trade to Madras 17 July 1812), S3R (IOL) XXXIV, 1166.

66. Ogilvie and Hutton to Gousens 6 August 1812, Penang Consultations 14 August 1812, S3R (IOL) XXXV, 1179-80.

the Surat Castle and Glatton took in pepper and rattans at Penang for China.⁶⁷ Small amounts of goods from

Penang were exported by Company ships to China in 1818.

The Princess Amelia took on board some cotton and Malay produce, while the David Clarke, after the captain's tender to carry sandalwood was declined, ~~agreed to freight~~ ^{took on board} 34 bales of woollens unsuited to the Penang market. In

December 1818 Penang received news from the Committee of Super Cargoes of the sale of these woollens which had been consigned to Canton.⁶⁸ But in spite of the fact that Company ships called in yearly at Penang, they could obviously carry only a small amount of local produce to China.

The extent of the activities of country shipping in Penang's trade has not yet been fully assessed. However it appears that from about 1810, and particularly after the Company lost its monopoly in the eastern seas in 1813, country shipping began to take a larger part in Penang's trade. This may be seen both from the amount of goods imported privately from Calcutta after 1813,

-
57. Penang Consultations 5 and 14 August 1812, SSR (IOL) XXXV, 1131-2, 1203-4.
58. Penang Consultations 19 August 1818, SSR (IOL) LXVI, 777; Penang to Super Cargoes at Canton 18 August 1818, SSR (IOL) LXVI, 780-2; Penang Consultations 5 and 12 February 1818, Penang to Super Cargoes at Canton 10 February 1818, SSR (IOL) LXV, 251-2, 282-3, 285-7; Penang Consultations 2 December 1818, SSR (IOL) LXVIII.
-

and from the various tenders made to the Penang Government by the captains of country ships as recorded in the consultations.

The country ships, like those of the Company, also took part in the necessary provision of stores for Penang, but they also carried on a more regular and more extensive import trade from Calcutta in piece goods, cotton, salpetre, sugar, rice and opium.⁶⁹ Some of these commodities were intended for local consumption, while others, such as piece goods, cotton and opium were intended for distribution in the archipelago or for trans-shipment to China.

The import of provisions into Penang by country ships appears to have been done either on a private basis by the ships' captains or as a consignment by the Bengal government to Penang. In 1811 for example, a cargo of wheat, rice and gunpowder consigned to Penang by the Bengal government arrived at Penang from Calcutta on the country ships Tullock Salem and Euphrates.⁷⁰ Then in 1814 quantities of rice were tendered to the Penang Government by the captains of the Morning Star and Discovery.⁷¹ while those of the Sea Flower, Providence

69. See Appendix VII K.

70. Penang Consultations 29 August, 26 September 1811, SSR (IOL) XXXI, 1042-3, 1188.

71. Penang Consultations 5 February, 30 July 1814, SSR (IOL) 162, 1605.

212

and Mary, tendered grain and ghee.⁷² Other consignments made by the Bengal government on private shipping were 1500 bags of wheat on the Fleetwood in 1814, and 3300 bags of rice on the Lady Nugent in 1816.⁷³ In addition, the Penang Companies and Agency Houses imported goods on their own or other country ships and tended them to government. For instance in 1816 the Penang Government accepted a tender from Forbes and Brown for 4,000 bags of rice, to be dispatched on their ship Hyder Ally from Calcutta.⁷⁴

Penang was at this time used to a certain extent as a transshipment centre, especially for Indian cotton destined for Canton. Even in 1805 the Penang Government was optimistic about Penang's possibilities as a depôt for goods being transported between India and China.

At the time of the arrival of the members of the Penang Presidency, a considerable quantity of cotton was in the warehouse waiting to be transported to China, and within a few weeks three country ships from Bombay laden with cotton transhipped their cargoes after paying the 2½% duty on the invoice prices.⁷⁵ Frequent correspondence

72. Penang Consultations 4 September, 10 November 1814, SSR (IOL) XLV, 1995, 2752.

73. Penang Consultations 10 February 1814, Ricketts to Clibbey December 1813, SSR (IOL) XLIII, 228-9; Bengal to Penang 24 May 1816, Penang Consultations 6 July 1816, SSR (IOL) LVI.

74. Penang Consultations 3 February 1816, SSR (IOL) LIV.

75. Penang to London 12 November 1805, SSR (SNL) B1, 13; Cowan (1950), 23.

on matters of mutual interest was carried on between the Penang Government and the Select Committee of Super Cargoes at Canton, in order to foster the connection which arose from the intermittent shipping plying between the two ports.⁷⁶

Further references to the use of Penang as a trans-shipment centre were made in the consultations after 1810. Both Company and country ships were involved, and the main concern seemed to be to reserve enough space on Company ships for the transport of cotton and sandalwood to China, whether these goods were loaded in Madras or Penang itself. For example in 1811, the cotton which had been brought to Penang on the country ships Nadir Shar and Mentor was transferred to the Company ships Taunton Castle, Princess Amelia and Hope bound for China.⁷⁷

The Committee of Super Cargoes later reported that the ships arrived safely at Canton with only a few damaged bales of cotton.⁷⁸ In 1812 the Warren Hastings, from Calcutta, arrived at Penang with over \$172,000 in cotton for China, but it does not appear to have been landed at

76. For example: Super Cargoes at Canton to Penang, Penang Consultations 20 October 1808, 2 March 1809, SSR (IOL) XX, XXII, 1177, 184.

77. Penang Consultations 5 September 1811, SSR (IOL) XXXI, 1091; Penang to Super Cargoes at Canton 19 October 1811, Penang Consultations 24 October 1811, SSR (IOL) XXXI, 1355-7; Penang to London 28 November 1811, SSR (IOL) XXXI, 1539-40.

78. Super Cargoes at Canton to Penang 14 February 1812, Penang Consultations 19 March 1812, SSR (IOL) XXXIV, 289-91.

79

Penang. Then in July 1812 the Board of Trade at Calcutta had its consignment of iron for Penang transhipped at Madras from the Company ships Royal George and David Scott to the country ships Winchelsea and Cuffnells, so as to keep as much spare tonnage as possible on the Company ships for the loading of cotton.⁸⁰

In 1817 and 1818 a number of Company and country ships were engaged in transporting goods between both Penang and India, and Penang and China. In September 1817 the country ship Reliance arrived at Penang from Madras with a consignment of Company cotton and sandalwood for China. After some delay, because of the desire for direct transshipment to the shortly-expected Company ships Atlas and General Kidd, the cotton and sandalwood⁸¹ was landed into the Company warehouse. In November 1817 the country ship Ganges arrived in Penang with a cargo of rice which was transhipped to another ship bound for Malacca. The captain then tendered to freight to China⁸² the cotton and sandalwood received from Madras. The tender for cotton was accepted because of the lack of

79. Penang Consultations 23 May 1812, SSR (IOL) XXXIV, 626-7.

80. Penang Consultations 5 August 1812 (extract from Board of Trade to Fort St. George 17 July 1812), SSR (IOL) XXXV, 1166.

81. Penang Consultations 25 September, 2 October 1817, SSR (IOL) LXII, 349-51, 384-5.

82. Penang Consultations 6 November 1817, SSR (IOL) LXII, 45-7.

275

suitable godowns for storage at Penang, but the sandal-
wood was retained in store until the arrival of the next
season's China ships.⁸³ The Super Cargoes at Canton
were duly informed of the shipment of 468 bales of cotton
consigned by the Madras government to China.⁸⁴ In early
1818 Penang received news from Canton that the cotton
sent on the Ganges had been received.⁸⁵ In 1818 tonnage
for the sandalwood was reserved by the Madras government
on the Company ships Princess Amelia and London which
arrived at Penang in August 1818. The sandalwood was
shipped in equal proportions, and the Super Cargoes at
Canton were as usual informed of the arrangement.⁸⁶

In 1818 the transshipment of goods being transported
from China to India also took place. Because of the
surplus funds obtained that year because of the favourable
sale of imports and the decrease in the tea investment,
the Committee of Super Cargoes wished to transport to
India two million dollars of treasure by the Company ship
General Harris.⁸⁷ The treasure was landed at Penang in

-
83. Penang Consultations 13 November 1817, SSR (IOL) LXII, 63.
84. Penang to Supercargoes at Canton 19 November 1817, Penang Consultations 29 November 1817, SSR (IOL) LXII, 99-100.
85. Supercargoes at Canton to Penang 19 March 1818, Penang Consultations 30 April 1818, SSR (IOL) LXVI, 271-3.
86. Penang Consultations 6 and 19 August 1818, SSR (IOL) LXVI, 770-1, 777; Penang to Super Cargoes at Canton 18 August 1818, SSR (IOL) LXVI, 780-2.
87. Super Cargoes at Canton to Bannerman 19 March 1818, Penang Consultations 30 April 1818, SSR (IOL) LXVI, 271-3.

May 1818. The country ship Syren transported 5 lacs of dollars to Bengal, some was to be dispatched on the country ships Duchess of Argyle for Bengal and some on the Friendship. On the orders of the Bengal government, the remaining 347,000 dollars was consigned to Madras on the HMS. Towey, 15 lacs of dollars were to be sent to Bengal and only what was "absolutely necessary" was to be retained at Penang.

From documentary evidence at least, it appears that Penang received extensive supplies from India on both Company and country ships, and acted as a transshipment centre mainly for goods passing between India and China. But there is little evidence that Penang acted to any great extent as a base for the shipment of local produce to China, which was the original purpose of the entrepôt. The frequent visits of shipping to Penang did not necessarily imply that their cargo space was available for the produce of the Presidency. On the contrary one of the continuing problems was the shortage of ships to carry goods to China.

88. Penang Consultations 6 May 1818, Minute by Governor SSR (IOL) LXVI, 315-16; Minute by Governor, 1818, Penang Consultations 18 May 1818, SSR (IOL) LXVI, 367-8; Penang Consultations 1 June 1818, Minute by Governor, SSR (IOL) LXVI, 414; Bengal to Penang 29 May 1818, Penang Consultations 23 July 1818, SSR (IOL) LXVI, 595-601.

In connection with Penang's trading activities, reference must be made to the companies and Agency Houses⁸⁹ both in Penang and in Calcutta. In November 1812 it was decided that since the Penang Government had no agents in Calcutta to act on its behalf and send supplies to the Presidency, one of the Agency Houses there should be appointed for this purpose. The firm of Palmer & Co. was therefore appointed as agents for the island.⁹⁰ In Penang a number of local Companies or Agency Houses had been formed during the years by some of the prominent merchants and settlers, both European and Asian, for the promotion of trade and the collection and distribution of goods in Penang. The more prominent of these were Carnegie & Co., Forbes & Brown, McGee & Dunbar (then McGee & Scott), Ogilvie & Hutton, and Thomas Halyburton. The most prominent of the Asian merchants was Syed Hussain, who was also closely connected with the affairs of Acheh. The Agency Houses assumed a

89. See M. Greenburg, British Trade and the Opening of China 1800-42 (Cambridge 1951), 144-52. The Agency House was "the characteristic unit of private British trade with the East." Though "primarily a trading house," it also acted as "bankers, bill-broker, shipowners, freighter, insurance agent, purveyor etc." The main type of business carried on by it was "selling and buying for others on commission." Ibid., 144, 147-8.

90. Penang Consultations 5 November 1812, SSR (IOL) XXXV, 1712. Their agency only continued until 1816. See Penang Consultations 4 May 1816, SSR (IOL) LV.

new importance in 1813 when the system of disposing of imported goods from the warehouse was changed from small retail transactions to the advertising of tenders for goods in lots which were sold to the highest bidder. The highest tenders were naturally offered by the more powerful Agency Houses who then sold at retail prices the various goods such as iron, copper, lead, woollens, chintzes, handkerchiefs and cutlery. Other activities in which they were engaged were the re-exporting of opium and tin; opium bought in Calcutta for distribution in the archipelago, and tin from the peninsula and Bangka for export to Calcutta and China. The Agency Houses, on account of their dealings in opium, led the complaints about Raffles' imposition of a duty on opium imports into Java. Their growing importance was evident from the increasing number of tenders submitted to government by them in and after the year 1814. The largest tenders seem to have been those of Forbes and Brown, followed by those of Dunbar & Scott, Carnegie & Co. and Palmer & Co., who tendered mainly for goods such as ghee, iron, wheat and rice.

91. For example see Penang Consultations, 2 and 9 September 1813, SSR (IOL) XL, 1469-70, 1532-4; Carnegie to Clubley 11 November 1812, Penang Consultations 12 November 1812, SSR (IOL) XXIV, 1782-3; and various Penang Consultations 1813-1818.

VII

The period between August 1816, when Java was handed back to the Dutch, and the foundation of Singaporeⁱⁿ 1819 is considered by Cowan to be "the most critical period in its Penang's history."⁹² The government was faced with numerous problems, especially the need to increase revenues and reduce expenditures. In the field of trade, threats to Penang arose from the continuing unrest in Aceh,^{and} from the disruptions on the peninsula caused by the Kedah's invasion of Perak at the instigation of Siam. More serious was the return in 1818 of Malacca to the Dutch who immediately took steps to regain commercial and political domination on the peninsula as in the rest of the archipelago.⁹³ However in the year 1815/16 was a good one for trade because of the demand for pepper in China and the effect of the transition period in Java, following the return of the Dutch, but the volume of trade again declined during the next three⁹⁴ years.

For some time, trade between Penang and Aceh had been considerably disrupted by the rival claims to the Achinese throne of old Sultan Jehor Allum, and Syed Allum, whose

2. Cowan (1950), 8.

3. Ibid., 8-9, 9-10.

4. Cowan (1950), 8; See Appendix VII G, VIDE.

290

father, Syed Hussain was one of the principal merchants in Penang. As each attempted to prevent the other from collecting revenue by banning trade with each other's ports by a system of licensed piracy, exports from Penang to Acheh were obviously impeded, and fell from \$355,355 in 1812/13 to \$165,579 in 1813/14. In 1814

Johor Allum was deposed by the chiefs, and from the end of 1815 until 1817 Syed Allum attempted to gain control of the country. Trade between Penang and Acheh during that period continued to be low⁹⁵, and only after Syed Allum left the country in 1819⁹⁶ did trade show signs of improvement. This upward trend in the 1820's helped to account for Penang's unexpected rise of trade in spite of the founding of Singapore.⁹⁷ The main articles of trade between Penang and Acheh were described in a report in 1825. Cotton, opium, piece goods, sticklac, China goods, salt and various British manufactures were the main imports into Acheh, while its principal exports were pepper [by far the most important], betelnut, benjamin,⁹⁸ camphor, gold dust, kayu, rattan, rice and paddy.

95. See Appendix VII H.

96. After Johor Allum Shah was formally recognised as Sultan by the Commissioners Raffles and Coombs. See Penang to London 1 July 1819, SSR (SNL) B5, 143-155; Cowan (1950), 98-100.

97. For more detailed account of Penang's trade with and the affairs of Acheh see Cowan (1950), 8-9; Penang Consultations 16 October 1817, SSR (SNL) A12, 308; Cowan (1950), 68-72; Minute by the Malay Translator on the Trade of Acheen 15 March 1825, SSR (SNL) VI, 20-8; Cowan (1950), 153-158.

98. Minute by Malay Translator on Trade of Acheen 15 March 1825, SSR (SNL) VI, 20-8; Cowan (1950), 154-5.

281
telnut and pepper' were imported in large quantities
om Acheh to Penang for the China market, and also for
dia and Burma. Vessels from Penang brought cloths,
intzes and salt to Acheh in exchange for these products,
well as European, Chinese and Indian manufactures,
pecially opium, European woollens and piece goods, and
icklac for dyeing. Chinese junks from Penang were the
incipal importers of paddy and rice from the north
matran coast. Hence Acheh was important to Penang both
on the point of view of trade and because of the extra
99
ipping that called at Penang en route to Acheh. A
ertain amount of jealousy was therefore felt about the
activities of foreign traders such as Americans on the
matran coast, and hopes were expressed from time to
me for the diversion of Sumatran trade to Penang and
r the exclusion of foreigners, particularly Americans,
100
om the ^{area} coast. Penang's entrepôt relationship to
matran trade always remained a foremost consideration
the Penang authorities.

VIII

The British occupation of Java [1811-16] ¹⁰¹ which
affected the total volume of Penang's trade, also

9. Ibid., 156-7.
10. Minute by Erskine 15 August 1814, Penang Consultations
25 August 1814, SSR (IOL) LXIV, 1904-6. For activities
of Americans in the Sumatran pepper trade see
Bastin (1960), 45-8.
11. See Appendix VII G.

102

affected its tin trade, namely, the trade with Bangka. This can clearly be seen from the annual value of dutiable tin exported from Penang. From 1806-11 tin exports averaged Spanish \$334,080, from 1811-16 the average fell to \$315,782, then for the years 1816-17, when the Dutch were again in control of Java, exports of tin rose to \$336,356. The tin trade was higher in 1816 than in 1810/11, for at the time of the return of Java to the Dutch, the tin trade comprised about 20% of the total trade of Penang, while in 1810/11 the exports of tin had been only one-sixth of its total. Though Cowan

102. Most of Penang's tin trade was concerned with imported tin. However there were small deposits of tin on Penang Island. In October 1814 David Brown discovered tin both on his own ground at Telok Tikus and on unoccupied wastelands. He requested and was authorized to clear up to 100 orlongs of ungranted land for the establishment of tin mines, and as an encouragement to tin mining, the produce of Penang was to be exempted from export duties for the ensuing five years. The venture did not continue for long, as in April 1815 Brown notified government of the probability of suspending the working of the tin mines, because of the increased demand for labourers, as a result of the fires and the need to use all procurable labour for the cultivation of pepper. The quantity mined was inconsiderable, but its quality was thought to be good and the Council accepted two specimens offered by Brown. Brown to Clubley 20 October 1814, Penang Consultations 21 October 1814, SSR (IOL) XLV, 2553-5; Penang to London 26 November 1814, SSR (SNL) B3, 391-2; Cowan (1950), 56; Brown to Clubley 20 April 1815, Penang Consultations 21 April 1815, SSR (IOL) XLIX, 778-80.

283

points out that statistics for this period should be treated with great caution, it is obvious that the tin trade played a significant part in the prosperity of the Penang merchants.

But in 1817/18 and the following year Penang's tin trade suddenly dropped. From \$336,356 in 1816/17, it decreased to \$241,845 in 1817/18 and to \$221,458 in 1818/19. ~~Anderson suggested numerous reasons for this.~~ The relaxation of the control of trade in Java under the new government compared with the pre-1811 one attracted a number of native traders, such as those from Bangka, back to Batavia. Furthermore, Bangka was handed back to the Dutch in 1817 in full sovereignty, whereas the previous arrangement had been a monopoly treaty with the Sultan of Palembang, its overlord. Then in September 1818 Malacca was returned to the Dutch, and this step ushered in a new series of complications. The uneasiness felt by the Penang merchants in 1817 and 1818, when they submitted two petitions to government requesting the reconsideration of the return of Malacca to the Dutch, (which of course went unheeded in London since it conflicted with the basis of British policy in Europe), was soon justified.

103. C.D. Cowan, "Governor Bannerman and the Penang Tin Scheme, 1818-1819," JMBRAS, XXIII, 1 (1950), 54-5. (Quoted from J. Anderson, Observations on the Restoration of Banca and Malacca to the Dutch, as affecting the Tin Trade and General Commerce of Penang... 1824, 5). See Appendix VII F. Henceforward this article to be cited as Cowan (1950^b), to distinguish it from C.D. Cowan, Early Penang and the Rise of Singapore 1805-32, cited as Cowan (1950)-.

284

The value of the tin trade further declined in 1818, the more so because of disruptions in the peninsula when Kedah, on the orders of Siam, attacked Perak, the main tin producing state.

Concerned over the likelihood of Penang losing its trade with the eastern islands of the archipelago and on the peninsula as well, the newly appointed Governor Bannerman, ¹⁰⁵ agreed with the Penang merchants that commercial treaties should be concluded with the states with whom they carried on commerce, in order to forestall the Dutch in any attempt to revive their monopoly there.

-
104. Cowan (1950^b), 55-6; Merchants of Penang to Clubley 8 June 1818, Penang Consultations 12 June 1818, SSR (IOL) LXVI, 452-4; Farquhar to Clubley 17 September 1818, Penang Consultations 7 October 1818, SSR (IOL) LXVII, 236-7.
105. Bannerman was also interested in encouraging trade with Siam. In 1817/18 a brisk trade had been carried on by junks and other native vessels between Penang and Siam. Opium, piece goods and iron were the main exports from Penang, while sugar, tobacco and coconut oil were among the wide variety of imports. Bannerman expressed fears that American traders would interfere with this newly established trade, and suggested that the British government should send a mission to Siam. Later in 1818 the "opportunity to open friendly communication" with Siam arose and a letter and presents were sent by an English country ship bound for Siam. In an answer received in 1819, the Minister of the Siamese king expressed interest in trading with Penang, especially in muskets, but not opium which was forbidden. The aim of cultivating friendly relations with Siam culminated in Burney's mission of 1826.
- Penang Consultations 22 June 1818, Minute to Governor, SSR (IOL) LXVI, 508-10, (statistics 517-19) Penang Consultations 29 August 1818, SSR (IOL) LXVI, 787-9; Minister of Raja of Siam to Governor, Prince of Wales Island January 1819, SSR (SNL) P1, 161-3; Cowan (1950), 88.

Knowing the likely reaction of London, Bannerman decided to go ahead on his own accord. He appointed W.S. Cracroft, the Malay Translator, as Commissioner to negotiate commercial treaties with Perak and Selangor, and also to mediate in the war between Kedah and Perak which had brought the Perak tin trade practically to a standstill. The mediation was not successful, but a treaty was eventually signed on 30 July 1818 by which Perak engaged not to renew obsolete treaties with other nations which would keep out British trade. At Selangor an identical treaty was quickly concluded. At about the same time another similar treaty was made by W.T. Farquhar, Resident of Malacca, with the Sultans of Rhio, Lingon and Sisk. The aim of all three treaties was to retain the trade of these states despite the expected Dutch return to Malacca, and to prevent the renewal of the old Dutch treaties. Bannerman also had in mind the possible threat/revival of Dutch power in the Straits might be to British trade.

106

In 1818 Bannerman was confronted with a waning tin trade in Penang, while the quantities of tin in the

106. For detailed discussion of these events see Cowan (1950), 56-9; Also Penang to Bengal 26 June 1818, SSR (SNL) D6, 104; Cowan (1950), 76-7; Commercial Treaty with Perak 30 July 1818, SSR (SNL) F1, 70; Cowan (1950), 79-80; Maxwell and Gibson (1924), 20-21; Penang to Bengal 19 September 1818, SSR (SNL) D6, 125; Cowan (1950), 80-2; Penang Consultations 22 June, 7 July, 6 August, 5 September 1818, SSR (IOL) LXVI, LXVII.

peninsula were unavailable because of the political unrest there. He felt that only a little government influence was required to re-establish the trade, which had stopped for the time being because private traders did not wish to venture into the unsettled neighbouring states. Since both Perak [which had offered the cession of the island of Pangkor and the Dindings] and Selangor [which had offered to trade 200 bhars¹⁰⁷ of tin yearly] were interested in relations with Penang, Bannerman decided to enter the tin trade on the Company's account. In September 1818 he appointed a Committee consisting of the Malay Translator [Cracroft], the Superintendent of the Penang Police [Richard Caunter], and John Anderson, who was named as the Company's Agent for the tin trade with the Malay States. They were to consider the best way to embark on government trade in tin. In their report submitted in September 1818, they were optimistic concerning prospects of securing a supply of tin from Selangor, Kroh and Perak, and Bannerman decided to take action as recommended. Anderson, the Agent for Tin, was set out at once to secure contracts for tin at Selangor, Perak and Patani [Kroh], and there to select a trusty local agent to remain and supervise the contract.

107. A "bhar" or "ba.ar": a measure varying slightly from state to state roughly equivalent to 3 piculs or 400 lbs. Cowan (1950^b), 59 (footnote 15).

He went first to Perak, where he made a contract for the small amount of 100 bhars. Next he went to Selangor where a contract was made with the Raja for the supply of 500 bhars annually at \$43 per bhar. Anderson sent letters but did not go to the Patani and Kroh tin mines, before returning to Penang and submitting his report to Council. The suggestion of obtaining Pangkor island off the Dindings, was greeted with enthusiasm. ¹⁰⁸

Meanwhile Bannerman had become involved in difficulties over the trade begun with the Kroh tin mines. In August 1818 the Penghulu had offered a contract of 200 bhars of tin annually, and Bannerman had tried to implement this branch of the scheme while Anderson was working in Perak and Selangor. He offered \$40 per bhar for the Kroh tin, half to be paid in cash and half in merchandise from Penang. All seemed to be proceeding favourably when certain complications arose. The first problem was to placate the miners' local suzerain, the Raja of Patani, whose main revenue came from taxes levied on the mines in the form of tin. An agreement was eventually reached whereby Bannerman would pay the higher Penang market price for the amount of tin levied as taxes. The next problem arose when he despatched money

108. See Cowan (1950^b), 59-62; Penang Consultations 7 October, 29 October, 17 December 1818, SSR (ICL) LVII, 247-66, 524-39, LVIII, 763-96.

and goods valued at \$2,400 to pay for the 60 bhars of tin which were ready to be sent to Penang. The consignment was stopped at Kuala Muda and confiscated by the agents of the tax farmer who controlled all goods going up and down the river, under the auspices of the Sultan of Kedah. This involved Bannerman in long correspondence with the Sultan of Kedah, explaining that the Company had no intention of avoiding the payment of ^{that} taxes and he had tried to make the payment before the goods left Penang. There is evidence that the situation was purposely engineered by the Penang Government and that Bannerman hoped to frighten the Sultan into revoking the grant of the farm on the Muda river. Because of his fear of Siam, which had already forced him to invade Perak, the Sultan informed Penang that he could not terminate the farm without breaking his word to the farmers. However he ordered them to restore the Company's goods and cash and to receive the duties on them. This part of the Penang tin trade was thus terminated, since the farmers continued to obstruct traffic at Kuala Muda.

But the tin trade with Selangor and Perak looked more hopeful as the contracts placed in these states had been partly filled. ¹¹⁰ The Penang Government hoped that

109. For detailed discussion of the difficulties of Penang's trade with the Kroh tin mines see Cowan (1950b), 63-70.

110. Ibid., 70.

289

trade with Perak could be improved by the establishment of a British factory on the island of Pangkor, to which native traders could bring their tin and which would forestall any Dutch move in the area. ¹¹¹ In early 1819 the Sultan of Selangor reported that 100 bhars of tin were awaiting collection, and in May, ¹⁸¹⁹ Penang was further informed that 200 bhars of tin were ready, and that a Dutch mission had reached the Court at Selangor. The Dutch wished to make a new treaty along the lines of that of 1786, and as it included a close control of trade and the selling of tin at a much lower price, the ruler of Selangor was opposed to it. Since the Dutch refused to recognise the validity of the Selangor treaty with the British, the Sultan requested British aid. Bannerman therefore sent Cracroft to Selangor to collect the 250 bhars of tin, and to remind the Sultan of the "formal nature" of his engagement with the English Company, without coming into open collision with the Dutch. But on arrival at Selangor, Cracroft found that since the Company was not prepared for open collision with the Dutch, the Sultan had no alternative but to sign a renewal of the treaty of 1786. Cracroft weekly returned to Penang with ¹¹² 10 bhars of tin early in July 1819.

11. Ibid., 71-3; Penang to Bengal 22 January 1819, SSR (SNL) D6, 161; Cowan (1950), 88-9.
12. Penang Consultations 16 July 1819, SSR (IOL) LXXI, 298-302; See Cowan (1950^b), 73-7, for more detailed discussion of relations with Selangor, the Dutch mission there, and the failure to proceed with the projected occupation of the island of Pangkor.

By the time of Bannerman's death in August 1819 the attempts to make Penang the centre of a great tin market were as follows. The tin trade from the Kroh mines in the north was promising, but delivery was impeded by the Chinese tax farm at Kuala Muda and the reluctance of the Sultan of Kedah to come to any compromise. Following the contracts made by Anderson, 650 bhars of tin had been collected from Perak and Selangor, but the political condition of these states made it unlikely that larger quantities would be available. Bannerman's attempt to gain the cession of Pangkor, which would have provided a convenient collecting centre for tin, was unsuccessful. Furthermore, the foundation of Singapore in February 1819 had changed matters by outflanking the Dutch at Malacca, so that the danger of their gaining extensive control on the peninsula was considerably lessened.

Bannerman's successor, Phillips, referred the matter to Bengal and to the Directors. Anderson was directed to wind up his accounts as Agent for Tin and dispose of the tin already collected by public auction. When the tin was smelted and put up in small lots in August 1819, there were no buyers at remunerative prices. It was therefore disposed of to the Captains of the Company ships General Harris and Warren Hastings, at \$18 per picul. Half the

purchase price was received on the spot and the balance was forwarded by the Committee of Super Cargoes when the tin was disposed of in Canton in December. The project yielded \$5,396.41, of which Anderson took the agreed one-third and brought Penang an additional \$800 in export

114

duties.

The Penang Government also suggested to Bengal that the problem of the ~~Siamese in the peninsula and the obstacles~~ they created to British commerce might be settled by sending a mission to the Court of Siam. The Penang council hoped that the efforts of the Company would be followed up by the private merchants so that a part of the eastern tin trade could still be drawn to Penang. The attention of Bengal and London was at the same time drawn to the advantages of possessing Junk Ceylon, with its valuable tin deposits, and which had been one of the places recommended for British occupation over forty years previously.

115

Bannerman's policy, as illustrated both by his commercial treaties of 1818 and by his efforts on behalf of the Company in the tin trade of the Malay peninsula, was an attempt to safeguard Penang's trade from two threats:

114. *Ibid.*, 79-80; Penang Consultations 16 August, 9 September 1819, *SSR* (IOL) LXXI, 440-8, LXXII; See Appendix IV I.

115. Cowan (1950^b), 79; See Penang to London 6 January 1820, *SSR* (JNL) B5, 178-89; Cowan (1950), 102-3.

first, the state of unrest brought about by wars between the Malay rulers under Siamese pressure, and second, from the attempts of the Dutch after being restored to Malacca to monopolise the trade of the Malay States. From this his scheme widened to include the acquisition of Pangkor and Junk Ceylon to act as tin collecting centres for the envisaged great tin centre of Penang, which would henceforward attract all the China-bound ships which previously by-passed it. Since the implementation of the scheme would have involved a clash with both Siamese and Dutch interests, it is understandable why Phillips, Bannerman's successor, preferred to consider the government's role in connection with the tin trade as a less positive one of "caretaker", and passed to the Supreme Government the problems connected with Dutch and Siamese policy. As in many other aspects of Penang's history, the fate of the tin scheme was ultimately dependent on political decisions taken in Europe,¹¹⁶ and Penang's trade was thereafter faced with the sudden and unparalled trade rivalry of the newly established settlement of Singapore.

116. See Cowan (1950^b), 80-3.