

CHAPTER VIIIPenang and the Founding of Singapore

The events of the period after 1819 were dominated by the phenomenal rise of Singapore as a trading centre. In spite of the opposition of Bannerman at Penang and the lukewarm attitude of Bengal, Raffles founded a settlement on Singapore island in January 1819 and made treaties with the local Sultan and Temenggong. The details of these negotiations, the consequent exasperation of the Court of Directors and the British government, the frenzied opposition of the Dutch, and the final settlement of Anglo-Dutch spheres of influence by the Treaty of 1824 have been thoroughly examined elsewhere. Suffice it to say that when the Directors realised the value of the port of Singapore, their opposition to Raffles' action lessened, and they resolved to retain it in spite of the displeasure of their Dutch allies in Europe. Raffles' foresight in securing such a position was soon justified, and the rapid development of Singapore exceeded even the most optimistic expectations.

1. See Mills (1925), 53-61, 71-81; C.B. Buckley, "An Anecdotal History of old times in Singapore" Vol. 1 (Singapore 1902); H.S. Marks, The First Contest for Singapore 1819-1824, (The Hague 1959); N. Tarling, "British Policy in the Malay Peninsula and Archipelago 1824-1871, JMBRAS, XXX, iii (1957).

The main effects on Penang of the founding of Singapore were both commercial and administrative. From 1819 to 1823 Singapore was under the control of Bencoolen where Raffles was Lieutenant-Governor. After Raffles' departure from the east in 1823, Singapore, was removed from the control of Bencoolen and made a dependency of Bengal, and John Crawfurd took the place of William Farquhar as Resident.<sup>2</sup> The recognition of the British right to Singapore accorded by the Dutch in the Treaty of 1824, and the cession of Malacca, led to a reorganisation of the administration of both Penang and Singapore. From 1824 to 1826 the three settlements on the peninsula were separately administered: Penang still as a Presidency, and Malacca and Singapore as Residencies governed by Bengal. Since Penang's deficits were as high as ever, an attempt was made in 1826 to promote economy and administrative unity by incorporating the three settlements into the fourth Presidency under Penang, which became known as the United Straits Settlements. As before, the Governor presided over the administration, but at each settlement there was to be a Resident Councillor to supervise the local affairs of that settlement. Only important matters of policy had to be referred to the Governor before a final decision was made.<sup>3</sup>

2. Mills (1925), 63-4.

3. Ibid., 82, 83.

A second effect of the 1824 Treaty was the British withdrawal from Bencoolen and the Company's instructions to members of the Bencoolen establishment to proceed to the Straits. Their orders were to fill vacancies there whenever they occurred and in any case they were still entitled to receive their normal allowances. The arrival of a number of senior Bencoolen civil servants such as Prince, Presgrave, Garling and Church, and their assimilation into the Penang civil service was not looked upon favourably by the junior civil servants, since their already slender prospects appeared worse than ever. Out of the fourteen civil servants who were appointed to the newly formed establishment of the Straits Settlements, seven were from Bencoolen. Of the older civil servants who had been on the Penang establishment in 1824, by 1826 Raffles, Clubley, Williams, Boosey and Cuppage had died, Phillips and Erskine had retired, and Murchison, Cracroft and Weir were at home. The covenanted servants that remained were therefore Fullerton, Ibbetson, Maingy, Anderson, Blundell and Carnegie, and of these, Maingy and Blundell were appointed to the newly acquired Provinces of Tavoy and Mergui. In spite of the Company's wish for retrenchment in the Presidency, a number of new writers were sent out, Bond in 1825, and Salmond, Nairne, Wingrove, Weeding, Dickenson and Anderson in 1826. These, along

with the ex-Bencoolen servants Prince, Presgrave, Bonham, 296  
Garling, Church, Pattullo and J.W. Salmon formed the  
new 1826 establishment.<sup>4</sup>

The new arrangement did not last long however. The  
efforts of Governor Fullerton<sup>5</sup> to increase the income  
and reduce the expenditures of the settlements, and to  
convince the authorities of Penang's commercial value  
were not successful. The Indian government, faced with  
~~increasing debts from the Burmese war, and the pressure~~  
from London for the reduction of expenses in India (owing  
to the approaching time for the renewal of the Company's  
Charter in 1833), urged Fullerton to consider new methods  
for raising revenues, which he did.<sup>6</sup> But before Fuller-  
ton's plans for increasing Penang's revenue could be  
implemented, the decision of the Court of Directors,  
~~introducing sweeping changes, had been made. In September~~  
1829, instructions were received that the Eastern  
Presidency was to be abolished, and the settlements reduced  
to Residency status under the control of the Supreme  
Government in Bengal. As in 1810 and 1816, the Directors  
expressed disappointment over the failure of the naval

4. See Appendix VIII A, VIII B, VIII C; Mills (1925), 86.
5. Robert Fullerton was a Madras civil servant and a member of Council there from September 1813, before coming to Penang as Governor in August 1824. He took a prominent part in the Anglo-Siamese negotiations of 1824-7 and in the Malacca land problem. He returned to England in 1830 and died in 1831. Mills (1925), 87 (footnote 26); Penang Consultations 25 November 1813, Madras to Penang, SSR (IOL) XL, 1962-3. See Appendix II L.
6. Cowan (1950), 16-17; Penang Consultations 17 March 1829, Minute by Fullerton, SSR (SNL) A64; Cowan (1950), 186-9.

base and shipbuilding scheme, and suggested that the political and commercial benefits of the island could be effectively maintained by a considerably reduced administration. It was left to the Supreme Government to decide whether the Residencies should be administered separately or continue as they were under a chief Resident. The changes were to take place from 1 May 1830,<sup>7</sup> Extensive reductions had therefore to be made in the number of civil servants on the establishments, and when the new government took effect in May 1830 only six of the previous fifteen covenanted servants were retained, these being Ibbetson, Garling, Murchison, Bonham, Wingrove and Nairne. The remaining two governmental posts were held by W.T. Lewis, an extra-covenanted servant from Bencoolen, and Captain James Low. The junior civil servants who thus became unemployed were presumably pensioned off or removed to situations elsewhere.<sup>8</sup> When Fullerton departed in September 1830 his position was filled by Robert Ibbetson, who, after the death of W.A. Clubley in 1826, was the only member of the original 1805 establishment remaining in the Straits.

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7. Cowan (1950), 17; London to Bengal 7 April 1829, SSR (SNL) C6, 175; Cowan (1950), 189-90.
8. See Appendix VIII D. Bengal to Penang 4 May 1830, SSR (SNL) I, 39-42; Cowan (1950), 203-4.

## II

The most serious problem of the successive governments at Penang since its establishment as a Presidency in 1805, and indeed since its founding in 1786, was the inability to make the revenue meet expenditure. No government succeeded in preventing a steady increase of yearly deficits, and in the 1820s matters steadily worsened. The first serious blow to Penang's revenue was the abolition of the gaming farms in 1811,<sup>9</sup> and the second and final blow was the abolition of customs duties in 1826, which deprived Penang of half of her already inadequate revenue. The incorporation of the three Settlements was financially little more successful. Even the surplus revenue of Singapore was insufficient to meet the accumulated deficits of both Penang and Malacca. The Directors, after years of urging greater efforts at economy in Penang, took the drastic step in 1829 of abolishing the Presidency and reducing it to Residency status. The termination of any further claims of Penang to dominance in the Peninsula was marked by the transference of the capital of the Straits Settlements to Singapore in 1832.<sup>10</sup>

9. See Chapter IV.

10. Mills (1925), 30, 42, 82, 86.

The most important and indeed the most interesting trend in the decade after the founding of Singapore was the effect of its rapid development as a commercial entrepôt on the trade of Penang. Already by the end of 1819 Singapore was trading with all the important ports to the east of the Straits, and by 1822, the value of Singapore's trade had exceeded that of Penang, and continued to increase at the same unprecedented rate.<sup>11</sup>

The secret of Singapore's success as a trading centre lay both in its position and in its policy of free trade.<sup>12</sup> Situated at the southern end of the Straits of Malacca, it was the natural centre for trade with the Malay peninsula, Java and Sumatra and the islands to the east. In addition it lay conveniently on the route between India and China. The Penang authorities could do nothing about the advantages of Singapore's position, but they made every effort to remove Singapore's other advantage, her free trade policy. The attraction of free trade had been anticipated by Raffles, and his expectations proved correct. The eastern traders naturally

11. Cowan (1950) II; for the type of trade carried on in the years 1820-21; see Master Attendant to the Resident, Singapore, August 1821, SSR (SNL) L7, 25-8, L5, 273-4, 275-6; Cowan (1950), 112-121. For an exhaustive study of the growth of Singapore's trade see Wong Lin Ken, A Study of the Trade of Singapore 1819-1869 (unpublished M.A. thesis, University of Malaya, 1955).

12. Mills (1925), 189.

preferred to stop at Singapore rather than sail through <sup>300</sup> 500 miles of pirate-infested waters to Penang, so that Penang quickly lost most of its trade with the east. The later efforts of Penang to remove this free trade advantage met with unexpected results in 1826, when, instead of duties being imposed in Singapore, the Directors ordered the removal of all duties in Penang and Malacca as well. <sup>13</sup>

Contrary to fears at the time and the assumptions of earlier writers, Penang's trade did not immediately decline after the occupation of Singapore. In fact the value of trade rose from £949,109 in 1818/19 to £1,254,784 in 1820/21, and £1,352,722 in 1821/22, which was higher than at any time since 1810. But Penang was already overshadowed by Singapore, for in 1824/25 for example, while Penang's trade was valued at £1,182,370, that of Singapore <sup>had</sup> reached £2,272,943. After 1825 a decline in Penang's trade began, and by 1830/31, its value had <sup>14</sup> dropped to £708,559, the lowest point reached. It is not surprising that Fullerton wrote in 1830 that Singapore had "annihilated" the already declining trade of Malacca, and "bade fair to annihilate that of Penang also." <sup>15</sup> However trade began to recover after 1830

13. Mills (1950), 190-1; Penang Government Notification 21 November 1826, SSR (SNL) 128, 406B, 77B; Cowan (1950), 172.
14. Braddell (1861), 6; see Appendix VIII E; Cowan (1950), 14.
15. Mills (1925), 189 (from Penang Consultations 29 April 1830, SSR (IOL) CXXIII).



and continued at about the same level as it was in 1819.

The significant trend that became apparent soon after the occupation of Singapore was not the immediate decline of Penang's trade but rather the division of trading areas between them. Singapore naturally acquired most of the import trade from the native ports to the eastward and from Siam, the import trade from and the export of much of the local products to China, and the distribution trade of European and Indian goods to these markets. Penang, on the other hand, while she lost the trade to the eastward, retained her traditional trading areas of the Sumatran coast, particularly Acheh (where trading conditions had improved), Burma, part of the Siam trade and that of the west coast of the Malay peninsula. In addition, the import and distribution trade in Indian piece goods continued, as did the export trade of pepper, tin and Straits produce to China.

The Penang Government attempted to consolidate the locational advantages of this trade by introducing tariff advantages as well. In August 1820 the duties on imports of cotton wool, piece goods, opium and goods from Siam were removed, and in July 1823 export duties on salt, tobacco and all articles which were the produce or manufacture of Britain, India and China were removed as

16. Ibid., 192.  
 17. Cowan (1950), 12.

well as the import duty on timber from Pegu. <sup>18</sup> In 1823 too, the double duties and pilotage fees on foreign ships at Penang were also removed to encourage them to call there, instead of going straight to the native ports. <sup>19</sup>

These measures however were unable to prevent the disruption to trade in the peninsula due to the continuing Siamese activities there. The Siamese were preparing to attack Selangor from Kedah and Perak, the ex-Sultan of Kedah was carrying on unofficial warfare against the Siamese, and the naval forces collected by the Sultan of Selangor were engaging in intermittent piracy along the coastline. Only after Burney's treaty with Siam in 1826 was it hoped that the west coast of the peninsula <sup>20</sup> might become more settled and conducive to trade.

Some idea of the fluctuations of the different articles of Penang's trade may be gained from examining Cowan's <sup>21</sup> selection of documents. Certain trends for example

18. Penang to London 24 August 1820, SSR (SNL) B5, 290-7, 300-5, 337; Cowan (1950), 107-9; Penang Consultations 24 July 1823, Minute by Phillips, SSR (SNL) A17, 260-76; Cowan (1950), 134-8.
19. Cowan (1950), 12; Penang Consultations 1 May 1823, SSR (SNL) A17, 190; Cowan (1950), 133-4.
20. Cowan (1950), 13.
21. <sup>See</sup> Penang Consultations 9 September 1822, SSR (SNL) A16, 440, 442-4, 453-7; Cowan (1950), 129-31; Penang Consultations 24 July 1823, SSR (SNL) A17, 260-76; Cowan (1950), 134-8; Penang Consultations 21 August 1823, SSR (SNL) A17, 248; Cowan (1950), 139-42; Collector to Acting Secretary 16 July 1825, SSR (SNL) A18, 956-66; Cowan (1950), 162-4; Penang Consultation 29 April 1830, SSR (SNL) K15, 207-c25; Cowan (1950), 193-8.

were evident from a statement made in 1825. A decline in the imports of Indian piece goods from the Coromandel coast for the year 1824/5 and the competition of vast quantities of Europe piece goods brought into Singapore was reported. From the year 1819/20 to 1822/23 the quantity of opium <sup>sold</sup> at Penang ~~was~~ had decreased, but following the reduction of prices the number of chests imported had increased. The imports of pepper had shown a promising increase since 1819/20 from 17,000 piculs to 55,000 piculs. Most of the pepper had been exported to Calcutta, and the quantity exported to China had decreased owing to the China ships being filled with a large consignment of Indian cotton. On the other hand, the tin trade had decreased considerably since 1819/20. Tin was no longer received at Penang from Bangka, and imports came chiefly from Poongah (on the west coast of the Malay peninsula opposite Junk Ceylon). An increase in this supply was expected if uninterrupted communication could be maintained with Patani. A similar reduction had taken place in the trade of betelnut and rattans, partly, it was thought, because the merchants preferred to concentrate on trade in pepper and opium. The quantities of Straits produce exported from Penang in 1824/25 remained high, and would continue to yield a substantial revenue, but as long as Singapore remained a free port it was thought likely that

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this type of goods would be taken there to avoid duties. The overall decrease in Penang's trade, though not as much as expected, was attributed to "the operation of a free port at the other extremity of the Straits" which intercepted Penang's trade with Siam, Java and other native states to the eastward. The decrease would have been greater had Penang's western trade with Acheh, the east and west coast of Sumatra and Pegu, not been proportionately increased.<sup>22</sup>

It appears that because of changes in the pattern of trade two of the most important branches of Penang's trade began to decline at this time. These were the export trade of Straits produce to China and the distribution trade of Indian articles. The problem of insufficient tonnage to carry goods to Canton was a long standing one, which further increased during this period. The Directors began to object to the delay of their China bound ships at Penang, and after 1819 Singapore proved to be a more convenient port of call. Requests were made by Penang for increased shipping to be consigned there, and protests were made against the possibility that China-bound ships might be stopped from calling at Penang altogether.<sup>23</sup> The decrease of exports to China was

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22. Collector to Acting Secretary 16 July 1825, SSR (SNL) A18, 956-66; Cowan (1950), 162-4.
  23. Cowan (1950), 14-15; Penang Consultations 21 August 1823, SSR (SNL) A17, 248; Cowan (1950), 139-42; Penang to London 18 September 1823, SSR (SNL) B7, 173-186; Cowan (1950), 142-3.

apparent from the reduced value of the pepper, tin and betelnut sent there. However the value of exports of Straits produce to China remained the same, though it was felt that the Chinese merchants would soon prefer to ship these products from Singapore to avoid paying customs at Penang. Penang also lost to Singapore its position as a transshipment centre of Chinese articles from country ships into homeward-bound free trade ships. Few Indian country ships appeared to take part in Penang's China trade at this time, presumably because more profitable fields were available, such as the export of opium and raw cotton direct to Canton from India. Secondly, the decline of the import and distribution trade in Indian articles began in the years after 1810. Indian piece goods were unable to compete with the cheaper British and European cottons, and after the founding of Singapore the latter were shipped in increasing amounts direct to Singapore rather than to Penang. By 1825 it appeared that the influx of British piece goods into Singapore would drive the Indian articles out of the market.

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4. Cowan (1950), 15; Collector to Acting Secretary, 16 July 1825, SSR (SNL) A18, 956-66; Cowan (1950), 162.
5. Cowan (1950), 16; Collector to Acting Secretary, 16 July 1825, SSR (SNL) A18, 956-66; Cowan (1950), 162-3.

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The pattern of the trade of Penang and Singapore that had developed ten years after the latter's founding may be seen from a report submitted in 1830.<sup>26</sup> While the more extensive trade of Singapore was with Britain, India, China and Java, and to a lesser extent Siam and the Sumatran and archipelago ports, Penang's smaller volume of trade consisted largely of imports of piece goods and opium from the Indian ports and the export of these to Aceh and other Sumatran ports and Kedah. The piece goods and opium were exchanged for betelnut, pepper and Straits produce from Aceh, pepper and rattans from Deli, and rice for local consumption from Kedah. The re-export of betelnut, pepper, tin and Straits produce to China formed one of the main branches of Penang's trade, while the same products were exported to a lesser extent to the Indian ports as well. That a small trade with Java and Siam was retained even caused surprise to the Penang authorities at the time.<sup>27</sup> It was apparent then by 1830 that the founding of free-trade Singapore had considerably affected Penang's trade, but although its pattern of activity was somewhat altered, Penang still retained its value as a more localised trading centre, while Singapore quickly assumed its rightful role as the paramount trading centre of the archipelago.

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26. Penang Consultations 29 April 1830, Minute by President, SSR (SNL) K15, 207-45; Cowan (1950), 193-203. See Appendix VIII F.
27. See Appendix VIII F.

## CONCLUSION

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The history of Penang from the time of its promotion to Presidency status in 1805 until the founding of Singapore in 1819 was one of growing disillusionment in both Penang and London. The reports on the value of Penang by Macalister, Leith, Farquhar and Popham gave rise to great hopes for the future of Penang. On its elevation to Presidency status, it was to be a naval base for the ships defending the east coast of India, a port of call for the Company's ships on their way to China, an entrepôt for the produce of the archipelago, and a centre for the cultivation of pepper and spices which would help pay for the expenses of the island.

In the event, however, these expectations were not fulfilled. The British victory at Trafalgar rendered a naval base and shipbuilding centre at Penang unnecessary. When the Admiralty lost interest in the scheme and withdrew its financial support, the Directors had no alternative but to order the abandonment of the project. But although the failure of the plans for a naval base at Penang was largely due to the successful assertion of British naval supremacy in Europe, it did not remove the stigma attached to the Penang Government in the eyes of the Court of Directors.

Similarly, the agricultural experiments in pepper, spices, cotton, coffee and hemp upon which the Penang Government embarked met with little success because of events beyond its control. The Continental blockade deprived the Company of its European markets for these commodities and large stocks therefore accumulated in the Company's warehouses in London. The fall in demand caused the Court of Directors to restrict further purchases, and Penang was deprived of its expected markets for these products. Conversely the short-lived experiments which were made on the Company's orders in the cultivation of cotton, coffee and hemp were likewise dictated by a shortage in the London market caused by the closing of the usual sources of supply. By the time Penang had placed its crops on the home market, the traditional supplies had been resumed. The Penang variety could not compete and was abandoned. Though some of Penang's pepper and spices were disposed of in China, the expected revenue from this source was not forthcoming.

The third field in which Penang did not meet the expectations of the Directors was in that of revenue. Prior to 1805 expenditure had always exceeded its revenue, and the Directors were surely over-optimistic in thinking that matters could be improved after 1805, when the government was faced with the expense of an enlarged and



highly paid civil establishment. But the Directors hoped that the increased expenses of the new Presidency would be offset by the local revenue derived from trade, particularly exports of pepper and spices and from internal revenue such as customs duties and land rents. Unfortunately, the proceeds of local products in foreign markets were limited, and the revenue derived from customs duties never came near to meeting expenditures. The Directors added to the financial difficulties of the island in 1811 by ordering the abolition of the gaming farms, one of Penang's most profitable sources of income, on moral grounds.

An additional complication was the land problem. The chaotic state of land tenures on the island deprived the government of what should have been a most profitable source of revenue. The long-term effects of Light's policy of unlimited land-alienation continued to be apparent, and the confusion over land tenures, only slightly lessened by the slow progress of the Surveyor, provided one of the most complicated problems of the Presidency Government. It still remained unsolved at the end of the period under review.

The government of the Presidency was set up in 1805 on a grand scale to benefit Penang's new status. Although it was handicapped to some extent by the uncertainties and inefficiencies of the former administration, part of the

blame for the early muddle in the administration lay with the pettiness, the inexperience and inefficiency of some of the civil servants themselves.

The reductions in the establishment in 1810 and 1816 reflected the Directors' disappointment at the slow progress of Penang and its financial insolvency. Although the deficit was partly due to events beyond Penang's control, one cannot avoid the impression that the civil servants could have made greater efforts at reducing expenditures instead of being preoccupied with their own well-being and prospects of promotion. Furthermore, since most of the economies were made in the salaries of the lower rungs of civil servants rather than those in the highly paid upper ranks, the reductions made were largely ineffectual.

Few of the civil servants of this period emerge as personalities in their own right. The exceptions were the energetic Raffles, the hardworking and reliable Collector, W.E. Phillips, the efficient but unobtrusive Warehousekeeper, J.J. Erskine, and the former member of the Court of Directors, Governor Bannerman. Instead, the dominating personalities belonged to private settlers, such as James Scott, who took a prominent part in the affairs of Penang until his death in 1808. The tradition established was then followed by David Brown, and to

lesser extent by Thomas McGee and John Dunbar.

The Judiciary in the period 1805-1819 was beset by various problems. The first and most serious, the absence of any formal code of laws, was removed when the Recorder arrived and the Charter of Justice was promulgated in 1808. A noticeable feature of life in early Penang was the general disregard of European settlers for any form of law. This attitude was modified only gradually although the settlers participated in certain judicial offices. The tradition of enmity between Government and Judiciary was perpetuated after the arrival of the Recorder, and rendered the administration of justice more complex than it should have been.

The most successful sphere of Penang's activities was its trade. Situated at the northern end of the Straits of Malacca, it was well placed to act as an entrepôt, a collecting and distributing centre for the surrounding areas, mainly the Malay Peninsula, North Sumatra, Siam and Burma. Penang did not, however, attract trade in as wide an area as originally anticipated. But Penang did act as a convenient transshipment centre for goods passing between India and China. The steady increase of Penang's trade was checked by the British occupation of Java, which created a preferable trading centre for the British merchants in India and the traders of the archipelago

The trade of Penang was later threatened by the return of the Dutch to Malacca, by the unrest in Acheh and by the Siamese ambitions in the Peninsula. However, Penang's trade slowly began to increase after 1815, and continued to justify the existence of a British settlement there.

The founding of Singapore marked the end of any pretensions which Penang might have had to predominance in the Malay Peninsula. Just as Malacca was outflanked by the settlement at Penang thirty years before, so Penang was outflanked by the newly formed settlement at Singapore.

Although its trade did not immediately decline, Penang quickly lost its position as the foremost trading centre in the Straits. Singapore possessed an obvious geographical advantage over Penang and was governed more competently, systematically and economically from the beginning. Thus the problems concerning land and revenue that blighted Penang's prospects never really existed in the newer settlement. The outcome of the yearly deficits of the government was the reduction of Penang from Presidency to Residency status in 1830. The predominant place of Singapore was finally recognised by the removal of the capital of the Straits Settlements there from Penang in 1832.