Raffles, the East India Company and the Free Port of 1819

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On 6 February 1819, in a ceremony on the plain beside the Singapore River, a servant of the English East India Company signed a treaty with a Malay prince whom he had recognised as sultan a few days earlier, and with the chief who governed the island. The treaty allowed the Company to maintain a trading post on the island. Within five years the post had grown into a town of more than ten thousand people. Within a generation it had overtaken every older port of the Strait. This chapter examines the founding of 1819: the commercial and strategic interests of the East India Company, the two men who shaped the new settlement, the agreements on which it rested and the principle that made it grow – the free port, open to the ships of every nation.

The founding is often told as the achievement of a single visionary. Stamford Raffles deserves the place he holds in the memory of the city. His letters show a clear understanding of what the settlement could become. The founding was, however, also the product of institutions and interests larger than any individual: a trading company that governed an empire, a China trade that needed a secure route, a Dutch

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system of monopoly that created demand for an alternative, and Asian merchants who were looking for a port where they could trade on fair terms. Singapore grew because it offered those merchants what they sought.

For the history of the financial centre, 1819 matters in three respects. It established a legal and political order under British protection, which later provided the framework for banking, insurance and commercial law. It fixed the free port as the founding economic principle of the city, a principle that shaped its public finances, its regulation and its self-understanding for two centuries. And it brought together, from the first months, a plural merchant community of Europeans, Chinese, Malays, Bugis, Arabs and Indians, whose networks of credit and information were the true capital of the port.

Essentials

The East India Company founded Singapore to secure the route of its China trade and to break the Dutch hold on the trade of the archipelago. Raffles acted on a cautious mandate from the Governor-General of India and exploited a disputed succession in the Johor-Riau sultanate to obtain a treaty. The treaty of 6 February 1819 gave the Company the right to maintain a trading post in exchange for annual allowances to the sultan and the Temenggong. The settlement was declared a free port, without customs duties on trade, and financed itself through licences and revenue farms. Trade and population grew rapidly: the first census of January 1824 counted 10,683 inhabitants.

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