The Entrepôt Economy: Junks, Country Traders and Merchant Networks

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The free port of 1819 created the conditions for trade. The traders themselves came from every direction, bringing their own ships, goods, customs and systems of credit. This chapter examines the entrepôt economy that grew up in Singapore during the first half-century of British rule. It looks at the principal groups of traders who used the port: the Chinese junk traders who arrived with the north-east monsoon, the Bugis fleets from Sulawesi, the Arab and Indian merchant houses, and the European and Indian country traders who carried opium and textiles between India, the archipelago and China. It then turns to the agency house, the institution that stood between these groups and the markets of Europe, and to the chains of credit that linked them.

The entrepôt economy deserves close attention from anyone interested in the modern financial centre. Many of the functions that Singapore performs today for the economies of Asia were first performed in the warehouses along the Singapore River: collecting goods from many sources, sorting and grading them, financing their movement and redistributing them to distant markets. Merchants had to assess

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the creditworthiness of counterparties they could rarely verify, enforce contracts across borders and manage the risks of long voyages and volatile prices. The solutions they found, a mixture of personal trust, community institutions and English law, shaped the commercial culture of the city.

The chapter also continues the comparison with Geneva. Geneva's bankers of the eighteenth century built their business on networks of Protestant families spread across France, the Netherlands and England. Singapore's merchants built theirs on networks of dialect groups, clans and trading diasporas spread across Asia. In both cases, the network came first and the formal institution followed.

Essentials

The entrepôt economy of nineteenth-century Singapore rested on the seasonal arrival of Chinese junks with the north-east monsoon and Bugis prahus with the east wind, on Arab and Indian merchant houses and on the country trade in opium and textiles. European agency houses acted as intermediaries between these traders and the markets of Europe and India. Goods moved on credit through long chains that ran from London and Calcutta through the agency houses to Chinese dealers and on to traders in the archipelago. Personal reputation, community institutions and English courts together secured the chain. The junk trade peaked around 1841–1842 and declined after the opening of the Chinese treaty ports, while steamships and the Suez Canal transformed the trade after 1869.

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