The legacy of the entrepôt

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The free port as a founding principle

The commercial identity of Singapore was defined at its foundation. The free port of 1819 levied no duties on trade and invited merchants of every nation to use its harbour, a policy that Part A of this book examined in detail. The entrepôt that grew up around the harbour collected the produce of the archipelago, the goods of China and India and the manufactures of Europe, sorted and graded them and redistributed them to distant markets. Chapter IV of Part A described the junks, prahus and country ships that frequented the port and the credit chains that linked the agency houses of the river with the merchants of the region.

Even at that stage, much of the value that Singapore added lay in the services that accompanied the goods. Merchants assessed counterparties they could rarely verify, extended credit across long distances and absorbed the risk of volatile prices. They relied on a mixture of personal trust, community institutions and English commercial law. These are the functions that a modern trading house performs. Singapore has performed them for two centuries in changing forms. The government of the independent republic has drawn on this history explicitly. An article written in 2023 by a senior official of Enterprise Singapore recalled that

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Singapore was already a key entrepôt for commodities such as spices in the nineteenth century and that traders were further attracted when it became a free port in 1819.[1]

From entrepôt to industrial economy

The entrepôt model reached its limits in the decade of independence. The population had grown far beyond the number of people that trade alone could employ. After 1965 the unemployment rate ranged between 10 and 12 per cent, a level that threatened civil unrest.[2] The confrontation with Indonesia after 1963 and the separation from Malaysia in 1965, which Chapter II of Part C examines, cut Singapore off from parts of its traditional hinterland. The government concluded that the city could no longer live from trade alone.

The answer was industrialisation. In 1961 the government had already established the Economic Development Board to lead an investment drive.[3] Industrial estates were built on reclaimed land in Jurong, while ministers travelled abroad to court foreign investors. The strategy, which Chapter III of Part C describes, turned Singapore within two decades from an entrepôt into a manufacturing economy. The entrepôt survived the change. Re-exports still accounted for 43 per cent of Singapore's merchandise exports in 2000.[4] The old function survived alongside the new one and later returned in a different form, as the offshore trading examined in this chapter.

Oil refining and the first traders

The bridge between the old entrepôt and the modern trading hub was oil. Shell had long used Pulau Bukom, an island south of the main island, as a storage and distribution base. In the 1960s Singapore courted the oil majors, including Esso, Mobil and the Singapore Refining Company, to build refineries on its offshore islands.[5] By the mid-1970s Singapore had become the third largest oil-refining centre in the world.[6] The later amalgamation of seven southern islets into Jurong

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Island, whose reclamation began in 1995 and which was officially opened on 14 October 2000, consolidated the refining and petrochemical cluster.[7] Chapter II of this part examines the refineries and storage terminals in detail.

Refineries need crude oil and produce products that must be sold. Around them grew the marketing and supply departments of the oil companies, the brokers who matched buyers and sellers and the independent traders who bought and sold cargoes for their own account. Vitol, founded in Rotterdam in 1966, opened its Singapore office in 1979.[8] Kuo Oil, a Singapore company established by the businessmen Peter Fu and Ong Beng Seng, followed in 1988.[9] By the late 1980s the government recognised that the physical oil industry had created a trading community whose activities could be developed in their own right.

What the entrepôt passed on

Three elements of the entrepôt survived into the trading hub. The first is openness. Singapore has remained a port and a market in which every flag and every nationality can do business, which today means that traders from the United States, Europe, China, India, Japan and the Gulf work side by side. The second is the combination of trade and finance. The exchange banks of the nineteenth century, which Chapter II of Part B examines, financed the entrepôt, while the international banks of the twenty-first century finance the trading hub through the instruments that Chapter I of Part H describes. The third is the reliance on a predictable legal order, from the English mercantile law of the colonial courts to the contracts, courts and arbitral institutions that Part F examines.

A fourth element is less often noticed. The entrepôt of the nineteenth century was managed by a state that understood its revenue to depend on trade and therefore kept trade free of tax. The trading hub of the twenty-first century is managed by a state that understands its prosperity to depend on trading companies and therefore taxes their qualifying income at reduced rates. The instruments differ, because the free port abolished customs duties while the Global Trader Programme reduces

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income tax. The underlying policy, that commerce should bear as little fiscal burden as possible, is the one that Chapter I of Part B traced back to the fiscal constitution of the Crown colony.

Notes

1. Lee Pak Sing (Assistant Chief Executive Officer, Trade and Connectivity, Enterprise Singapore), "Singapore – a vital link in the global energy supply chain", *The Business Times*, 4 September 2023, republished by JTC Corporation on 10 November 2023 (jtc.gov.sg, accessed November 2026): "In the 1800s, Singapore was already a key entrepot for commodities such as spices"; "Traders were further attracted to Singapore when it became a free port in 1819." ↩
2. Wikipedia, "History of the Republic of Singapore" (accessed November 2026): the entrepôt trade "was no longer sufficient to support the large population"; "The unemployment rate ranged between 10 and 12%", which "threatened to create civil unrest". ↩
3. Wikipedia, "Economy of Singapore" (accessed November 2026): in 1961 "the Singapore Government established the Economic Development Board to spearhead an investment drive". ↩
4. Wikipedia, "Economy of Singapore" (accessed November 2026): "Re-exports accounted for 43% of Singapore's total sales to other countries in 2000." ↩
5. Lee Pak Sing, "Singapore – a vital link in the global energy supply chain", *The Business Times*, 4 September 2023, republished by JTC (accessed November 2026): "Singapore started off by courting oil majors such as Esso, Mobil Oil and Singapore Refining Company … to operate oil refinery facilities here in the 1960s." ↩
6. Wikipedia, "History of the Republic of Singapore" (accessed November 2026): Singapore "attracted big oil companies like Shell and Esso" and became "the third largest oil-refining centre in the world by the mid-1970s". ↩

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7. Wikipedia, “Jurong Island” (accessed November 2026): formed from seven islets of about 991 hectares, enlarged to roughly 3,500 hectares; “Physical land reclamation began in 1995, and Jurong Island was officially opened on 14 October 2000”; refineries with a capacity of 1.5 million barrels of crude per day. ↩
8. Vitol, “About” (vitol.com, accessed November 2026): “Founded in Rotterdam in 1966 by Henk Viëtor and Jacques Detiger”; London office in 1969; Singapore office in 1979; over 40 offices worldwide. ↩
9. Lim Hng Kiang, Minister for Trade and Industry, speech at the Global Trader Networking Dinner 2009, Raffles City Convention Centre, 26 May 2009 (mti.gov.sg, now meti.gov.sg, accessed November 2026): “Singapore-headquartered Kuo Oil, set up by businessmen Peter Fu and Ong Beng Seng in 1988”. ↩

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