The Suez Canal and the new shipping routes

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The canal of 1869

The Suez Canal was built under French direction and opened in November 1869, after ceremonies that began at Port Said on 15 November. It runs for some 193 kilometres between the Mediterranean and the Gulf of Suez and shortens the voyage from the Arabian Sea to London by about 8,900 kilometres.[1] For trade between Europe and the Far East, the canal replaced the passage round the Cape of Good Hope with a route through the Mediterranean, the Red Sea and the Indian Ocean. Singapore lay directly on that route, at the point where ships bound for China, Japan, Siam and the Netherlands Indies passed from the Indian Ocean into the South China Sea.

Britain soon acquired a direct stake in the waterway. In 1875 the Khedive Isma'il Pasha, pressed by debt, sold his 44 per cent shareholding to the British government for £4 million, although French shareholders still held the majority.[2] The purchase signalled how central the canal had become to the communications of the empire. From the perspective of Singapore, it meant that the route on which the port depended was now protected by British power from London to the Straits.

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Steam, coal and the compound engine

Steam needed more than the canal to become competitive. Sailing ships could not use it economically, since the winds of the Red Sea were unreliable and towing was expensive. The decisive innovation came from marine engineering. Early steamships burned so much coal that they had to devote much of their hull to fuel and could not carry enough cargo to compete with sailing ships on the long route to Asia. The Liverpool shipowner Alfred Holt, who founded the line later known as the Blue Funnel Line on 16 January 1866, solved this problem with a compact double-expansion engine working at higher boiler pressure.

His steamer *Agamemnon*, launched in 1865, could cover the passage of about 14,000 nautical miles from London to China, coaling at Mauritius on the outward voyage and once more on the return. The service was profitable even before the canal opened. By 1870 steamers were competing strongly with the tea clippers, while in 1871 Clyde shipyards had 45 steamers under construction for the Far Eastern trade.[3] Once the canal opened, the new engines and the shorter route reinforced each other. A steamer through Suez needed coal at regular intervals, which turned the ports along the route into fuel stations with docks, workshops and labour.

Steam overtakes sail at Singapore

The effect on Singapore was rapid. In 1870, the year after the canal opened, the tonnage of steamers calling at the port exceeded that of sailing ships for the first time. By 1880 the shipping entering Singapore reached about 1.5 million net registered tons, of which steamers accounted for some 80 per cent. Twenty years later the figure had risen to 5.7 million tons. The general histories of the colony agree on the order of magnitude, recording more than 1.5 million tons a year passing through the port by 1880, about four fifths of it in steamships.[4]

Steam also changed the rhythm of the port. The junk and prahu trades described in Chapter IV of Part A followed the monsoons, which concentrated arrivals in a few months and forced merchants to hold large stocks between seasons. Steamers sailed throughout the year on fixed schedules. Most of the major European steamship

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companies had opened offices in Singapore by the 1880s. The Peninsular and Oriental Steam Navigation Company had run the first scheduled steamship service through Singapore as early as 1845, carrying mail and passengers between India and China, but only after 1869 did steam carry the bulk of the cargo trade as well.[5]

The regional feeder network

The ocean steamers called at a few large ports. Around them grew networks of smaller vessels that collected produce from the coasts and rivers of the region and distributed imported goods. Singapore became the hub of such a network. The Straits Steamship Company was founded in Singapore in 1890 by the Dutchman Theodore Bogaardt with an initial capital of 421,000 Straits dollars, subscribed entirely by local investors, among them the Chinese merchants Tan Jiak Kim, Lee Cheng Yan, Lim Ho Puah and Tan Keong Saik. It began with five vessels and had 24 by 1923, carrying labourers, tin, rubber and general cargo along the west coast of Malaya.[6] The joint European and Chinese ownership of the company reflected the partnership between communities that Chapter V of Part A traced in the credit system. Shipping, like trade finance, combined European capital and technical knowledge with Chinese commercial networks.

The feeder lines explain why steam did not destroy Singapore's role as an entrepôt. One might have expected direct steamer services between Europe and the producing ports of the region to bypass Singapore. Some trade was lost in this way. The economic historian Chiang Hai Ding nevertheless concluded in his study of Straits Settlements trade between 1870 and 1915 that the geographical advantage of Singapore was not impaired by steam navigation.[7] The ocean liners concentrated on the hub, while smaller ships fed it, a pattern that the container port of the late twentieth century would repeat on a larger scale.

Shipping conferences and the price of freight

Steam brought a new form of market organisation. Because steamers were expensive to build and to run, their owners sought to fill them on regular sailings at stable rates. On the routes to Asia, they formed conferences that fixed freight rates

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and bound shippers through rebates paid only to those who used conference lines exclusively. In Singapore the Straits Homeward Conference operated under an agreement of 1897, among whose promoters was R. D. Holt of the Ocean Steam Ship Company. Evidence given in 1902 described a secret rebate shared by seven firms, which together accounted for about 60 per cent of the homeward trade.

The merchants of Singapore resented an arrangement that favoured the large houses and kept freight rates high. At the request of the Singapore Chamber of Commerce, the Legislative Council appointed a Shipping Commission in 1902. The debate continued for a decade and led in 1910 to a Freight and Steamship Bill passed by the Legislative Council.[8] The episode is an early example of a question that runs through the history of the financial centre: how far a small trading state should tolerate concentrated market power held by foreign operators on whom its trade depends. Parts G and H return to it for the commodity and trade finance markets.

What the canal changed

The volume of trade grew strongly in the decades after 1869, but the figures need careful reading. Chiang Hai Ding found that the trade of the Straits ports grew about eleven times in dollar value between 1870 and 1915, but only about five and a half times in real terms, because the silver dollar depreciated against gold during much of the period.[9] Recent work has gone further and questions whether 1869 was a watershed at all, arguing that the real trade of Singapore grew at a fairly steady rate throughout the nineteenth century.[10] The canal therefore accelerated a growth already under way and changed its composition and rhythm. By 1912 the foreign imports of the Straits Settlements were valued at about 312 million dollars and exports at about 243 million dollars.[11]

Notes

1. Wikipedia, “Suez Canal” (accessed November 2026): opened on 17 November 1869 “under French control”, with ceremonies beginning at Port Said on 15

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November; length 193.3 km; the canal reduces the journey from the Arabian Sea to London by about 8,900 km. ↩

2. Wikipedia, "Suez Canal" (accessed November 2026): the Khedive Isma'il Pasha sold his 44 % stake for £4,000,000 to the United Kingdom government; French shareholders still held the majority. ↩

3. Wikipedia, "Blue Funnel Line" (accessed November 2026): "Alfred Holt founded the business on 16 January 1866"; Wikipedia, "Alfred Holt" (accessed November 2026): the testbed *Cleator* ran at 60 psi; Holt "designed a compact double expansion engine that left the maximum amount of room in the hull for cargo"; Wikipedia, "Alfred Holt" (accessed November 2026): *Agamemnon* launched in 1865; "The passage from London to China is about 14,000 nautical miles"; "one coaling stop in Mauritius on the way out, and another on the return trip"; commercially successful before 1869; by 1870 steamers competed strongly with tea clippers; in 1871, 45 steamers were being built on the Clyde for the Far Eastern trade. ↩

4. "Singapore Harbor from Its Founding to the Present: A Brief Chronology", *The Postcolonial Web* (postcolonialweb.org, accessed November 2026): 1870 steamer tonnage overtakes sailing-ship tonnage; 1880 tonnage of 1.5 million NRT with steamships making up 80 %; 1900 tonnage of 5.7 million NRT; Wikipedia, "History of Singapore" (accessed November 2026): "By 1880, over 1.5 million tons of goods were passing through Singapore each year", around 80 % of it carried by steamships. ↩

5. Library of Congress Country Studies, *Singapore*, "Colonial Singapore" (countrystudies.us/singapore/6.htm, accessed November 2026): "Most of the major European steamship companies had established offices in Singapore by the 1880s."; "Singapore Harbor from Its Founding to the Present: A Brief Chronology", *The Postcolonial Web* (accessed November 2026): 1845, P&O starts its first scheduled steamship service through Singapore. ↩

6. Wikipedia, "Straits Steamship Company" (accessed November 2026): founded in 1890 in Singapore by Theodore Bogaardt with initial capital of $421,000 Straits, "all subscribed by local individuals including wealthy Chinese

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businessmen Tan Jiak Kim; Lee Cheng Yan; Lim Ho Pua; and Tan Keong Saik"; initial fleet of five vessels; the fleet had grown to 24 vessels when the company moved to Collyer Quay in the year after its acquisitions of 1922. ↩

7. Chiang Hai Ding, *A History of Straits Settlements Foreign Trade 1870–1915*, PhD thesis, Australian National University, 1963 (abstract, ANU Open Research, accessed November 2026): direct steamship services between Europe and Southeast Asian ports diverted some trade; "the geographical advantage, in particular of Singapore, was not impaired by the development of steamship navigation". ↩

8. Chiang Hai Ding, "The Early Shipping Conference System of Singapore, 1897–1911", *Journal of Southeast Asian History*, vol. 10, no. 1, January 1969, 50–68 (extract and notes, cambridge.org, accessed November 2026): agreement of 1897; R. D. Holt as an original promoter (n. 36); secret rebate shared by seven firms representing 60 % of the homeward trade (n. 47); Chiang Hai Ding, "The Early Shipping Conference System of Singapore, 1897–1911", *Journal of Southeast Asian History*, vol. 10, no. 1, January 1969, 50–68 (extract and notes): the Shipping Commission of 1902 was requested by the Singapore Chamber of Commerce (n. 51); its report appears in the Legislative Council Proceedings 1902, App. 40; the Freight and Steamship Bill of 1910 was passed by the Legislative Council. ↩

9. Chiang Hai Ding, *A History of Straits Settlements Foreign Trade 1870–1915*, PhD thesis, Australian National University, 1963; Chiang's comparison of nominal and real growth as summarised in secondary literature. ↩

10. Atsushi Kobayashi, "Growth of Regional Trade in Modern Southeast Asia: The Rise of Singapore, 1819–1913", in *Paths to the Emerging State in Asia and Africa* (Singapore, Springer, 2019), 95–113, DOI 10.1007/978-981-13-3131-2_5. ↩

11. *The Statesman's Year-Book 1913* (London, Macmillan), Straits Settlements: imports $311,921,864 (1912) and $349,661,673 (1913); exports $242,930,335 (1912) and $272,111,080 (1913). ↩

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