What the pre-colonial port teaches about location and trust

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Location as a necessary condition

The history of the Strait before 1819 shows that geography creates opportunity. The island of Singapore occupied an exceptional position that remained unchanged throughout the period. Its fortunes, however, changed dramatically: a flourishing port in the fourteenth century, a minor outpost in the sixteenth, a landmark without a market in the seventeenth and eighteenth, a refounded entrepôt in the nineteenth. Location made prosperity possible. Institutions made it real.

This observation is the starting point for the analysis of every later period. The modern financial centre also rests on a location – in the Asian time zone, between the markets of China, India and Southeast Asia, at the crossroads of shipping and air routes – and on institutions that turn this location into business. The chapters that follow examine how those institutions were built, from the free port of 1819 through the colonial legal order and the developmental state to the regulatory framework of the present.

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Protection, predictability and the price of passage

The successful ports of the Strait shared three features. They offered protection: a ruler strong enough, alone or through alliances, to secure the harbour and the surrounding waters. They offered predictability: known dues, known procedures and known rules for the settlement of disputes. And they kept the price of passage moderate: dues high enough to finance the ruler and his fleet, and low enough to attract merchants who had alternatives.

The unsuccessful ports failed on one or more of these points. Temasek lost its protection when its court left. Portuguese Malacca raised the price of passage by force and drove the merchants elsewhere. Riau lost its attractiveness when the Dutch imposed their monopoly. The British free port of 1819 was designed, explicitly, as an answer to the Dutch model: no customs duties, openness to all flags, protection by the navy of the dominant maritime power.

These three features correspond closely to the qualities that financial centres offer today. Protection corresponds to political stability and the security of property. Predictability corresponds to the rule of law, a clear regulatory framework and reliable courts. The price of passage corresponds to taxation and the costs of regulation. The balance between these elements determines the competitive position of a financial centre in the twenty-first century, just as it determined the position of a port in the Strait.

Plural communities and the administration of difference

The ports of the Strait were plural societies. Malacca organised its administration around four groups of merchant communities, each with its own shahbandar. Temasek had Malay rulers, Chinese trading partners and an orang laut population. Riau combined a Malay court, Bugis administrators and Chinese planters. The ruler's task was to administer difference: to give each community access to the market on terms it understood, to settle disputes between members of different communities and to prevent conflicts between them from damaging trade.

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Modern Singapore has made the management of a plural society a central principle of its constitutional order, from the recognition of four official languages to the policies of ethnic integration in public housing. Part J of this book examines the role of language in the financial centre. The pre-colonial history shows that the administration of difference was a condition of commercial success long before it became a principle of national policy.

The dependence of a port on the order around it

A port in the Strait never stood alone. It depended on the tolerance or protection of larger powers – China, Siam, Majapahit, Portugal, the Netherlands, Britain – and on the loyalty of the sea peoples who policed its waters. When the surrounding order changed, the port could rise or fall without any change in its own conduct. Singapura fell in the conflicts between Majapahit, Siam and the rulers of the peninsula. Riau fell to Dutch power, and Singapore was refounded because Britain wanted a port beyond Dutch control.

This dependence remains the central strategic fact of Singapore's existence. The city-state is small, open and dependent on a stable international order and on free navigation through the Strait. The geopolitical chapter in Part K of this book examines what a change in that order – in particular, rivalry between the United States and China – could mean for the financial centre. The history of the Strait suggests that the question is fundamental.

Lines to Geneva

The comparison with Geneva, which runs through this book, can be drawn already at this point. Geneva owed its medieval prosperity to fairs held at a crossroads of routes between Italy, France, Germany and the Low Countries, and lost them in the fifteenth century when the French crown favoured the fairs of Lyon.[1] Singapura owed its prosperity to a position on the principal sea route of Asia and lost it when its court moved to Malacca. In both cases, a favourable location was exposed to the

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decisions of stronger neighbours. In both cases, the place later rose again on new foundations – Geneva on the Reformation, the Refuge and banking, Singapore on the free port, British protection and, much later, the developmental state.

The comparison also shows a difference that will recur. Geneva's second rise was rooted in a religious and intellectual community that defined itself against its neighbours. Singapore's second rise was a foundation by an outside power, which brought its own law, its own navy and its own commercial interests. The institutions of the Singapore financial centre have, in consequence, a stronger connection to state design, first by the British colonial administration and later by the government of the independent republic. This theme runs through Parts B, C and D of this book.

In figures

Width of the Phillips Channel at its narrowest: about 1.7 miles (EIA, 2017). Oil and other liquids transiting the Strait of Malacca: 16 million barrels per day in 2016 (EIA). Pottery sherds from the first Fort Canning excavation in January 1984: 1,346, weighing 14.31 kg. Height and width of the Singapore Stone before its destruction in 1843: about 3 metres each. Population of the island in 1819: about 1,000, of whom about 150 lived in the Temenggong's settlement. Delegation that accompanied the ruler of Malacca to the Ming court in 1411: 540 persons.

Notes

1. On the Geneva fairs and the measures of Louis XI in favour of the fairs of Lyon in 1463, see Ressos, *Genève, place financière internationale*, partie A, with further references. ↩

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