



Charting the early history of Penang trading networks and its connections with the new ASEAN growth triangle (Malaysia-Indonesia-Thailand)

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Abstract

This paper charts the early history of Penang trading networks and its connections with northern Indonesia and southern Thailand. The discussion points out that the current IMT (Indonesia- Malaysia-Thailand) growth triangle is not a new phenomenon for this region and for Penang in particular. For much of the eighteenth century, Penang's identity and commercial viability were seen to depend on its role as a hub for surrounding sub-regional economies. The main inter-state corridor had a long history as a route of trade and suppression that placed Penang's fortunes in ever closer proximity to those of Southern Siam, Kedah, Perak, Aceh, Burma and the Coromandel Coast of India. The discussion further illustrates the importance of Penang as the main source of accumulated capital and Chinese labour which played different roles in the process of mining development. Finally, a point is made about the importance of Penang as a key contributor towards the acceleration of the economic growth and social transformation of southern Thailand, as well as for the northern region of Sumatra.

Keywords: early history of Penang, growth triangle, Indonesia- Malaysia-Thailand, inter-state corridor, mining, trading networks

Introduction

Penang, situated off the coast of Kedah in the northern region of the Straits, was ceded to Francis Light, on behalf of the East India Company (EIC), by the King of Kedah in 1786. One of the reasons why the English acquired Penang was trade. The English believed that Penang was the best location to replace Benkulen which was far from the main trading route. By the end of the eighteenth century the China tea trade had become important to the English and the need for a port to break their journey between India and China became paramount to the Company. Since Penang was acquired by the English East India Company its hinterland has long held a close proximity to the southern reaches of the Thai state, northern Sumatra, the northern region of the Malay peninsula and the area facing the Bay of Bengal (Burma and the Coromandel Coast). Today, the relationship between these regions is being reformulated within the discourse of sub-regionalism and corridors and to produce a new economic geography of development that will link its old trading networks into a new partnership and relationship, i.e. the Indonesia-Malaysia-Thailand Growth Triangle.

The discussion points out that the current growth triangle is not a new phenomenon for this region and for Penang in particular. For much of the eighteenth century, Penang's identity and commercial viability was seen to depend on its role as a hub for surrounding sub-regional economies. The main inter-state corridor has a long history as a route of trade and suppression

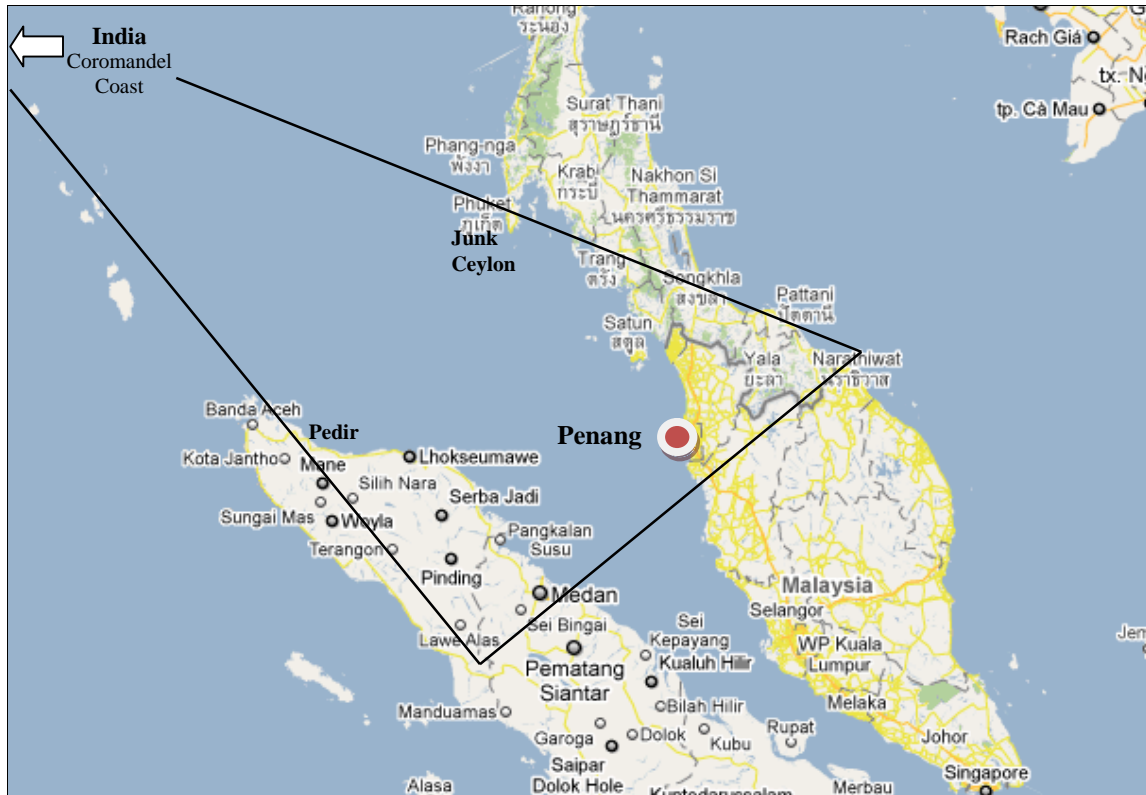


Figure 1. Penang as a center of Indonesia-Malay Peninsula-Thailand growth area (1786-1802)



Figure 2. Penang as a center of Indonesia-Malaysia-Thailand Growth Triangle (1993- 2007)

that placed Penang's fortunes in ever closer proximity to those of Southern Siam, Kedah, Perak, Aceh, Burma and the Coromandel Coast in India. The discussion further illustrates the importance of Penang as the main source of accumulated capital and Chinese labour which played different roles in the process of mining development. Finally, a point is made about the importance of Penang as a key contributor towards the acceleration of the economic growth and social transformation of southern Thailand, as well as for the northern region of Sumatra.

Penang's trading networks and links

In the Indian sub-continent, Madras was the earliest English settlement to become a major Asian port, followed later by Bombay and Calcutta. From the mid-seventeenth century the three ports also served as the main centres for English country traders. Although there was strong opposition from the EIC to the activities of the English country traders, in the mid-seventeenth century there was an expansion of the latter in trade. This was partly because the majority of the English country traders had established links and trading networks with many Indian merchant groups which had their own trading fleets. The relationship between the English country traders and the Indian merchants was very complex. It involved questions of how trade was carried out, whether it was on land or sea, the people who provided the funds and capital, those who formed joint stocks, institutions and agencies to manage the import and export trade, the ownership of goods carried on board the ships, the type of goods imported and exported; the people involved in the trade, those who built the merchant ships, and the ownership of the trading vessels. All these were part and parcel of the trading network between the English country traders and their Indian counterparts.

The English merchants had their bases in either Madras or Calcutta. In general, wealthy merchants, both English and Indian, had agents and proxies who roamed over a wide area transacting business on their behalf. Partnership ventures among two or more individual merchants were common. For example, large partnerships were formed to invest in ships which could include not only the English at Madras, but also those in Surat, Bombay and Calcutta. Therefore, many rich private European and Indian merchants from the Coromandel and Bengal areas had huge fortunes and owned a stake in shipping either as part-owners or as financiers. John Palmer, Khwaja Wazid, the Seths and the Basaks were important financial houses that controlled and lent money to local Indians and private European merchants.

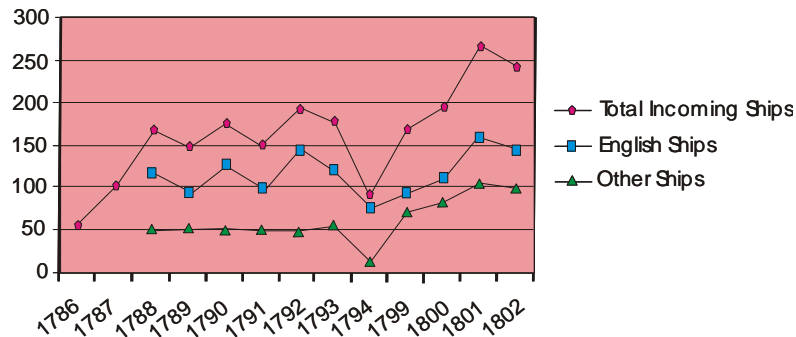
Many of the private English country traders who traded in the Bay of Bengal region (the Coromandel coast, Bengal, Burma, Southern Thailand, northern Sumatra and Malaya), the archipelago and China would have associated themselves with wealthy merchants from either Madras or Calcutta. These linkages, vital for their business, could be traced from the capital borrowed from various trading agencies. Some traders even traveled on vessels which belonged to trading agencies or carried commodities that belonged to these agencies, or they were partners in trade between the Indian subcontinent, the archipelago, and China. In early Penang some private English traders who had resigned from Company service to venture into trade were connected to these agency houses in Calcutta or Madras.

Ships arriving in Penang at the end of the Eighteenth Century

There are sketchy evidence and statistical data on the in-coming and outgoing of ships for Penang. The earliest data on the shipping list was collected by Francis Light in 1786 to 1794 when he was the Superintendent of the island. These were followed by another document covering the years between 1799 to 1802 which was compiled by George Leith, the Lieutenant-Governor, during his term of office from 1800 to 1803. In addition to these there is also complete

data on arrivals of Malay traders by *prahus* to Penang but only for the years 1786 to 1787 and 1799 to 1802. However the shipping lists that were compiled by Francis Light in 1786 to 1794 and the list on arrivals of Malay traders from 1786 to 1787 were by far the most detailed that the English produced on Penang. It must be noted, however, that the 1786 and 1787 data did not include information on the nationality of the commanders of ships. Furthermore they did not mention the goods on board in detail. Nevertheless, the data on the Penang trade are very useful as they provide a clear picture of the trends and trade networks that were developing in the early years before Penang was transformed into an important port on the northwest corner of the archipelago.

The early development of Penang's trade can be traced from 1788, that is, two years after the port was opened. Figure 3, below, traces initial growth over six years until 1794 and subsequent development until 1802.

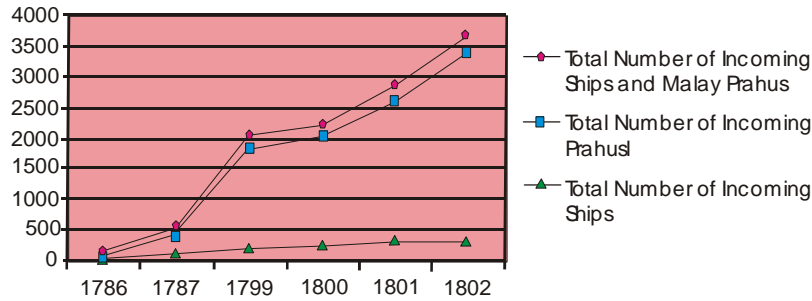


Source: Nordin Hussin (2006)

Figure 3. Incoming ships to Penang 1788 to 1794 and 1799 to 1802

The shipping list shows that the number of ships coming to Penang increased over the years. From the figure it can be seen that the number of incoming ships increased from fifty four in 1786 to two hundred and sixty five in 1801. The decline in the number of in-coming ships in 1794 is because the data for this year was only compiled from February to August. Similarly, the number of in-coming ships for the year 1786 was compiled from July to December and for 1787 it was limited to January to July and October to December. The figure above only gives the number of in-coming large vessels or ships to Penang but does not include in-coming Malay *prahus* so that the numbers would be much higher if the latter were included. The English records did not combine both types of ships in one document. Furthermore, the data on Malay *prahus* were not regularly recorded and they only appeared in 1786-1787 and 1799-1802. The English records classified vessels according to size and weight. Vessels or ships which were more than 25 *lasten* (50 tons) were listed together while *prahus* which had an average weight of more than 1.8 *lasten* or 60 *pikuls* (3.75 tons) but less than 50 tons were listed separately. Thus, Malay ships such as the *banting* (30 tons or 15 *lasten*) and the *penchalang* (37 tons or 18.5 *lasten*) were considered *prahus* while larger Malay ships such as the *jong* (125 tons or 62.5 *lasten*), the *kichi* (150 tons or 75 *lasten*) and the *pinis* (75 tons or 37.5 *lasten*) were considered large vessels.

Thus the total number of incoming ships for the years 1786 to 1787 and 1799 to 1802 was very high. From 85 ships and *prahus* in 1786 the numbers rose to 3,569 in 1802. In just a decade Penang was able to attract more than 2,000 ships and *prahus* to its port. The number of in-coming traders also shows a great achievement for Penang as, within a relatively short period, it was able to spread its trading network over quite a wide area.

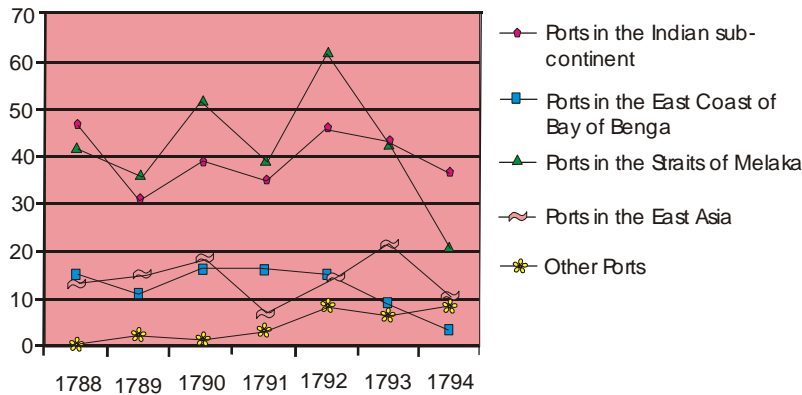


Source: Nordin Hussin, 2006

Figure 4. Total number of in-coming ships and Malay prahus 1786-87 and 1799-1802

Regular accounts of the number of in-coming ships to Penang only show incoming vessels of 50 to 500 tons (25 to 250 *lasten*) which belonged to Europeans and Asian traders. The largest ships to arrive at Penang were those of the English traders, with each ship averaging 275 *lasten* or 550 tons in weight. This was followed by the American, Danish, and Portuguese traders whose ships were only slightly smaller at an average of 250 *lasten* (500 tons) while Asian traders mostly from the Coromandel coast, China and the archipelago arrived in vessels weighing an average of 113 *lasten* (226 tons).

In 1786 only 54 ships arrived in Penang but their numbers multiplied rapidly so that by 1792 more than 200 called in annually at the port. Although some of the records did not give, in detail, the nationality of the commanders of the ships it is possible to conclude that the largest number of ships arriving at Penang brought in English traders followed by Asians and other Europeans. The most frequent arrivals were from the ports in the Straits of Melaka (38%) followed by ships arriving from the Indian sub-continent (35%). This trend continued throughout the years from 1786 to 1794 with one exception, and that was for the year 1788 when more ships arrived from the Indian subcontinent. Ports in the Straits of Melaka which had close trading relations with Penang were Pedir, Kedah, Melaka, Aceh and Selangor. Pedir, in the east coast of Sumatra and Aceh supplied Penang with pepper, betel-nuts and forest products, while traders from Selangor, Kedah and Melaka brought tin and food products to Penang.



Source: Nordin Hussin, 2006

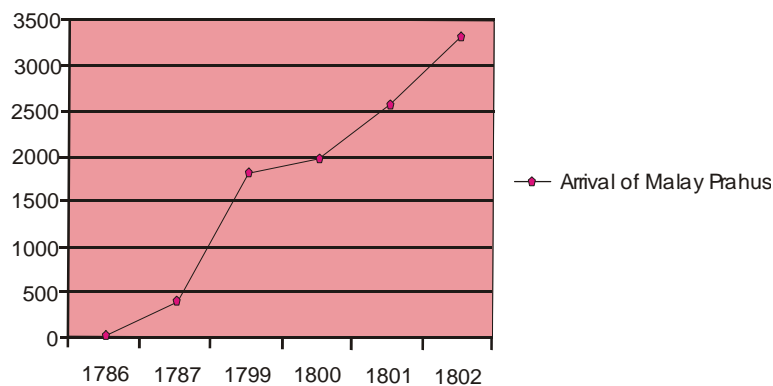
Figure 5. Incoming English ships to Penang according to ports of departure 1788 to 1794

The majority of traders from ports on the Indian sub-continent came from Bengal, Bombay, Madras, and Nagore. Most of them were English traders with a small number of Chuliars, Moors and Portuguese. Other regional traders who arrived in Penang came from ports along the coastline facing the Bay of Bengal and ports in East Asia. From the Bay of Bengal the most

important ports for Penang were Junk Ceylon, Rangoon and Pegu while from the East Asian region traders came from China, Macao and Siam.

From 1788 to 1794 there were 1,097 ships arriving at Penang and in 1799 to 1802 there were 867 ships. The highest number of traders were the English at 66% (1,286 ships) followed by the Asiatic traders (Chuliar, Malay, Moor, Burmese, and Chinese) at 19% (381 ships) and the American, Portuguese, Dutch, French, Spanish and Danish traders at 15% (297 ships). The volume of goods brought and carried by the English, American, Portuguese and Danish traders was larger than that by the Asiatic traders. This was because the Europeans had larger ships and the majority of them were long distant traders travelling from India to China and the archipelago.

The sailing pattern of these traders was very predictable. Those who came from the Indian sub-continent traveled from ports on the Coromandel coast such as Porto Novo, Nagore or Nagapatnam, Calcutta and Madras. They arrived at Penang and later sailed to Mergui, Tenasserim, Pegu, Junk Ceylon, Melaka, Pedir, and Larut and Selangor. The long distance traders would arrive at Penang from India and then sail on to Batavia, Siam, China and Macao.



Source: Nordin Hussin. 2006

Figure 6. Arrival of Malay prahus in Penang 1786-1787 and 1799-1802

The same period also witnessed a steady increase in the number of Malay and Bugis traders from the Straits arriving in Penang. Most of these traders traveled in *prahus*. In 1786 thirty-one *prahus* arrived in Penang but a year later the number had increased to 403. A decade later the number of *prahus* visiting Penang had increased by leaps and bounds. A total of 1,836 *prahus* traded at Penang in 1799 while in 1802 the number stood at 3,328. These traders from the Straits normally brought a limited number and quantity of goods due to the size of a *prahu* which could normally carry an average of 1.5 *Koyan* (60 pikuls). The *prahus* brought in forest products, such as, rattan and aromatic woods, items such as rice, poultry, cattle, rice and paddy, and minerals such as gold dust and tin, and took away goods from India and China such as Indian cloth, salt, sugar and opium.

The majority of in-coming Malay *prahus* were from Kedah, Perils, Kuala Muda, Perak, Larut, Selangor, Kera and Batubara. Malay traders from Larut, Perak, and Selangor were important to Penang because they brought with them tin for the China tea trade. Kedah, Batubara, Kera and Perlis were important suppliers of food products. One significant development that emerged from Penang's trade with the Straits region in the first decade or so of its opening was the close trading connection it succeeded in forging with Pedir, on the east coast of Sumatra. Pedir and its hinterland were important producers of pepper and betel-nuts and these two items were the major export earners for Penang in the earlier period. However, in the late 1800s Pedir was replaced by Aceh as an important trading partner after the latter took control of northern Sumatra.

Merchants and traders in Penang

The success story of Penang's trade would be incomplete without mentioning the mercantile society which played a vital role in transforming Penang into an important port and trading centre. Very little is known about the backgrounds of the English merchants in early Penang. However, among the pioneers who were largely responsible for the development and vitality of the new port and its trade were James Scott, McIntyre, Lindsay, Hutton, Roebuck, Brown, Spanan, Maxwell and Mason. They were all merchants and traders who, before the founding of Penang, were based either in Bengal or the Coromandel Coast and had trading connections with places such as Junk Ceylon, Kedah, Aceh, Melaka, Pegu and Mergui. After Penang was established in 1786 they moved to the newly founded port-town.

After Penang was established, Francis Light, himself a merchant and trader who continued to engage in trade, gave his fellow merchants a free hand to determine and control trading activities on the island. They determined how trade should be conducted and this included the power to impose trade duties and taxes and decide the prices of goods imported and exported at Penang. Perhaps it was due to his own inexperience that Light decided to do this or it could have been because of his friendship with some of them. Be that as it may, when Light died in 1796 his successor, Superintendent Major Forbes Ross Macdonald, was critical of the fact that Light had engaged in trading activities and was equally opposed to the idea that most of the trade on the island was controlled and dictated by its mercantile community. Thus very soon after he took over his new position, relations between him and the merchants deteriorated. Although these merchants were not on good terms with the administration of the island, their early contribution to the development of the island had helped Penang to get on its feet in the early years.

Apart from the European merchants there were also Asian merchants and traders who helped make Penang a success. Of the Malays, two in particular, Tuanku Syed Hussain and Nakhuda Kechil were very successful merchants. When Penang was established in 1786 the former shifted his trading base to the island and became one of the pioneers on the newly acquired colony. He was associated with several European merchants on the island and also in Calcutta. The Chinese towkey, Koh Lay Huan alias Che Wan was a prominent trader and Mahomed Syed, was a Chuliar merchant of great wealth.

Since Penang is in the northern part of the Straits, the majority of the early pioneering traders, both European and Asian, had their trading network linked to the coastal areas of the Bay of Bengal region. For example, most of the European merchants had their trading network with Bengal, Aceh, northern Sumatra, Southern Thailand, and the Malay peninsula. Similar patterns were followed by the Malays, Chinese and Chuliar merchants. A good example of such trading connections can be seen from the trading activities of Tuanku Syed Hussain. He had a close trading relationship with Aceh, Penang and also the Coromandel Coast and Calcutta. His association with John Palmer of Calcutta and merchants in Penang and his link with the royal family of Aceh made him a successful merchant and trader. Due to his connection with the royal house of Aceh he was given trading preference there. His wealth strengthened his political and social influence in Penang. In July 1815, he offered a loan of Spd50,000 to the Penang government when it was confronted with financial problems. On another occasion he gave a loan of Spd30,000 to the government. It was also reported that he owned the official residence of the Governor. He became the native leader or Capitan of the Malay community, held official appointments in various government committees and was an influential personality in Penang to the extent that the government sometimes sought his assistance in matters concerning the defense of the island.

European merchants and traders

Although many European merchants lived in Penang, references and documents pertaining to them are very limited. The available documents merely give information on their whereabouts and the value of their property but very few details on their trading activities. In 1793, there appeared to have been four rich European trading houses in the town. They were James Scott and Company whose merchandise was valued at Spd123,219, James Gardyne whose business was worth Spd38,650, Thomas Pigou who owned a trading business worth Spd5,000 and Abel Machell whose trading business was worth Spd15,833. In addition, James Scott had a total of seven trading vessels valued at Spd 131,073, James Gardyne had two valued at Spd34,500, and Abel Machell owned one with a value of Spd3,000.

James Scott was among the most successful businessmen on the island. His trading network linked Penang and Junk Ceylon, his former base, the Coromandel Coast, Bengal, Aceh, Trengganu, Melaka and the archipelago. He traded mainly in opium, tin, cloth, and pepper. Tin was procured from Junk Ceylon or the Malay Peninsula, opium from Bengal, cloth from the Coromandel Coast, and pepper from Aceh and Trengganu. He also traded in Melaka for various merchandise. The main articles traded with these places were opium and Indian cloth.

However, not all European merchants were as successful as Scott. One failed merchant was James Douglas. He came to the island in 1803 as a superintendent of pilotage and harbour master of the port but later retired from the service to venture into business and trade, which ended disastrously. Together with John Grant Wilson, an accountant from Calcutta, he formed a company with a paid up capital of Spd50,000 to carry out trading between Penang, North Sumatra and Bengal. John Grant Wilson later manipulated the business and cheated his partner resulting in the insolvency of the company leaving the burden to Douglas to pay all the debts. Douglas' misfortune was made worse as a result of the action taken by the notorious and corrupt police magistrate Paul Kellner. Kellner had detained his ships which were in transit to Aceh and demanded some payment from the *nakhoda* (captain) of the ship. When the *nakhoda* refused to pay Kellner forced the ship to anchor at the port and its goods were then illegally confiscated.

Penang's new role

Penang's most important inter-regional connection was with the Indian subcontinent, the western terminal in the intra-Asian trade route. In the region, Aceh was an important trading partner. Aceh had been an important political and economic power since the sixteenth century, and in the Straits of Melaka, its position as an important native port was only rivaled by Riau. In the eighteenth century, although dynastic conflicts and civil wars caused its trade to be unstable from time to time, its port remained vital to the over-all trading activities in the region. In the northern part of the Malay Peninsula; Perak, Kedah, Ligor and Junk Ceylon (Phuket) became close trading partners. This was largely due to their close proximity to Penang and trading links already forged with the English. Further, as the demand for tin grew to feed the tea trade with China, Penang's trade with Perak, Junk Ceylon (Phuket) and Ligor on the one hand became more vital. Kedah, on the other hand was important for its trade in foodstuff, especially rice and poultry, to feed the growing population on the island. Penang soon became the major focal point for traders who desired to exchange goods brought from the Indian subcontinent and also from China. Chuliar traders from the Coromandel Coast were frequently seen in Penang travelling from the Coromandel Coast to Southern Burma, Thailand and Penang and later to Aceh before returning to their port of origin. Thus, the idea of Penang as a hub was formulated by its founders. The dream of Penang's promoters was that the island would serve as the centre for tin trade. With Junk Ceylon (Phuket) to the north and Pangkor to the south, Penang was viewed as the logical nexus of this emerging tin trade while replacing the Dutch monopoly of the tin market. With

northern Sumatra and Southern Thailand as a key component in Penang's entre-port status the early Penang administrators were in effect lobbying for a northern growth triangle to counter-balance the rapid rise of Singapore in the south of the peninsula.

Since the centre of trade in the Straits and the regions had shifted to Singapore, Penang's position did suffer a set back. By the middle of nineteenth century a large percentage of Penang's trade with Siam was later passed through Singapore. But the tin trade between Penang and Southern Thailand remained one of Penang's key assets. The last decade of the twentieth century saw new development and changes in trading patterns and made Penang's new centrality in the southern Thai economies of the west coast. Penang is envisaged as the centre of a development zone linked to the east coast states of southern Thailand. Songkhla, Patani, Narathiwat and Yala are allegedly Penang's new strategic partners rather than the west coastal areas of Thailand. Thus, the old idea regarding Penang's trading networks and centrality had changed. Tin was no more an important commodity of trade and with the new development, Penang's centrality was no more geographical but capital and political.

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