



Universiteit
Leiden
The Netherlands

Genesis of a growth triangle in Southeast Asia

Xu, X.

Citation

Xu, X. (2015, November 4). *Genesis of a growth triangle in Southeast Asia*. Retrieved from <https://hdl.handle.net/1887/36062>

Version: Corrected Publisher's Version

License: [Licence agreement concerning inclusion of doctoral thesis in the Institutional Repository of the University of Leiden](#)

Downloaded from: <https://hdl.handle.net/1887/36062>

Note: To cite this publication please use the final published version (if applicable).

Cover Page



Universiteit Leiden



The handle <http://hdl.handle.net/1887/36062> holds various files of this Leiden University dissertation

Author: Xiaodong Xu

Title: Genesis of a growth triangle in Southeast Asia : a study of economic connections between Singapore, Johor and the Riau Islands, 1870s – 1970s

Issue Date: 2015-11-04

Genesis of a Growth Triangle in Southeast Asia
A study of economic connections between Singapore, Johor and the
Riau Islands, 1870s – 1970s

Cover design: Yanju Zhang

@2015 Xu Xiaodong

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronics, mechanical, photocopying, recording, or otherwise, without the permission in writing from the proprietor.

Genesis of a Growth Triangle in Southeast Asia

**A study of economic connections between Singapore, Johor
and the Riau Islands, 1870s – 1970s**

PROEFSCHRIFT

ter verkrijging van
de graad van Doctor aan de Universiteit Leiden
op gezag van Rector Magnificus prof. mr. C. J. J. M. Stolker,
volgens besluit van het College voor Promoties
te verdedigen op woensdag 4 november 2015
klokke 16.15 uur

door

Xiaodong Xu

geboren te Jiangyin (China)
in 1983

Promotiecommissie

Promotor: Prof. dr. H. J. den Heijer

Co-promotor: Dr. J. Th. Lindblad

Overige leden: Prof. dr. J. J. L. Gommans
Prof. dr. D.E. F. Henley
Prof. dr. E. H. P. Frankema
Dr. L. J. Touwen

Contents

List of Tables	vi
List of Figures, Charts and Maps.....	viii
Weights	x
Abbreviations.....	xi
Acknowledgement.....	xiii
Introduction.....	1
Chapter 1 Analytical Framework	11
Chapter 2 Political Development and Demographic Features	22
Chapter 3 Trade Connections: Commerce and Merchants	58
Chapter 4 Shipping Connections and a Spatial Network.....	91
Chapter 5 Capital and Capitalists.....	127
Chapter 6 Regional Advantage in a Globalizing World	179
Conclusion	191
Appendix 1: Tables	203
Appendix 2: Chronology	249
Appendix 3: Selected Chinese Translations	252
Bibliography	255
Curriculum Vitae	265
Samenvatting.....	266

List of Tables

Table 2. 1. Estimated overall population growth rates of Singapore, pre-1870 to 1970.	42
Table 2. 2. Estimated overall population growth rates of Johor, 1870-1970.	44
Table 2. 3. Birth and death rates, and infant mortality rates in Johor, 1930-1938.	45
Table 2. 4. Average annual growth rates of population in Riau Residency, 1880-1942.	47
Table 2. 5. Estimated overall population growth rates in Riau Residency, 1870-1970.	49
Table 2. 6. Standardized assignments of social structure in Singapore, Johor and Riau Islands by period, 1870-1970.	56
Table 2. 7. Standardized assignments of government in Singapore, Johor and Riau Islands by period, 1870-1970.	57
Table 3. 1. Structure of imports and exports in Singapore, 1885-1910.	61
Table 3. 2. Structure of exports in Johor in 1890 and 1910.	63
Table 3. 3. Structure of exports in Riau Islands, 1866-1909.	64
Table 3. 4. Structure of exports in Singapore, 1911-1939.	66
Table 3. 5. Structure of imports and exports in Johor, 1913-1939.	68
Table 3. 6. Structure of exports of Riau Islands, 1911-1938.	69
Table 3. 7. Structure of exports in Singapore, 1950-1970.	71
Table 3. 8. Exports from various ports in Riau Islands in 1975.	76
Table 3. 9. Interinsular trade of Riau Islands in 1961.	76
Table 3. 10. Expansion of business firms in Singapore in 1891 and 1907.	88
Table 4. 1. Ratios of total tonnage in shipping between Singapore and Riau Islands (including Indragiri), 1870-1905.	94
Table 4. 2. Ratios of total tonnage in shipping between Singapore and Johor, and between Singapore and Riau Islands, 1909-1938.	99
Table 4. 3. Total cargo (excluding oil) handled in Southeast Asia in 1961.	104
Table 4. 4. Steam connections between Singapore and regional destinations in 1891.	105
Table 4. 5. List of shipping companies operating in Riau Islands in 1898.	107

Table 4. 6. Comparative size of European and Chinese shipping companies in Singapore in 1907.	111
Table 4. 7. Average tonnage in Singapore and Riau, 1866-1905.	111
Table 4. 8. International connections of Pulau Sambu in 1919.	115
Table 4. 9. KPM shipping routes passing Riau Islands in 1940.	117
Table 4. 10. Ratios of tonnage/number in Johor and Riau Islands, 1909-1938.	119
Table 4. 11. Standardized assignments of demand conditons in Singapore, Johor and Riau Islands by period, 1870-1970.	126
Table 5. 1. Rubber estates in Johor in 1916 and in Riau Islands in 1910.	136
Table 5. 2. Rubber export quotas for Johor, 1934-1939.	137
Table 5. 3. Acreage of land planted and number of parcels in estate agriculture in Johor in the 1960s.	137
Table 5. 4. Land planted with rubber in Johor, 1906-1970.	138
Table 5. 5. Land planted with rubber in Riau, 1927-1975.	139
Table 5. 6. Planted area for palm oil in Johor, 1930-1972.	140
Table 5. 7. Estates and smallholders in palm oil production in Johor, 1968-1976. ...	143
Table 5. 8. Rubber processing industry in Johor in 1966 and in Riau in 1973.	147
Table 5. 9. Labour force in mining in Johor, 1931-1966.	152
Table 5. 10. Wood industry in Riau Residency in the early twentieth century.	154
Table 5. 11. Panglong industries in Riau in 1975.	156
Table 5. 12. Number of forest establishments in Riau, 1968-1971.	157
Table 5. 13. Growth of European manufacturings in Singapore in 1891 and 1907.	158
Table 5. 14. Year of establishment of industrial firms registered in Johor, pre-1960 to 1982.	162
Table 5. 15. Early establishment of banks in Singapore in 1891 and 1907.	168
Table 5. 16. Distribution of commercial bank offices in Singapore and Johor, 1962-1971.	171
Table 5. 17. Standardized assignments of related industries in Singapore, Johor and Riau Islands by period, 1870-1970.	173
Table 5. 18. Standardized assignments of factor conditions in Singapore, Johor and Riau Islands by period, 1870-1970.	176
Table 5. 19. Regional competitive advantage of Singapore, Johor and Riau Islands by period, 1870-1970.	177
Table 6. 1. Geographical composition of Singapore's trade, 1961-1969.	181
Table 6. 2. Average growth rates of trade of different regions, 1870-1970.	183
Table 6. 3. Globalization indicators of Singapore, Johor and Riau Islands by period, 1870-1970.	187
Table 7. 1. Basic indicators for the IMS-GT, in 1994, 2005-2010.	197

List of Figures, Charts and Maps

Figure 2. 1. Composition of the population in Singapore, 1871-1966.	43
Figure 2. 2. Composition of the population in Johor, 1911-1971.	45
Figure 3. 1. Imports and exports of Singapore, 1870-1910.	61
Figure 3. 2. General trend and export structure of Johor, 1870-1911.	62
Figure 3. 3. Imports and exports of Riau Islands, 1866-1910.	64
Figure 3. 4. Imports and exports of Singapore, 1911-1939.	66
Figure 3. 5. Imports and exports of Johor, 1913-1938.	67
Figure 3. 6. Exports and imports of Riau Islands (excluding oil), 1911-1937.	70
Figure 3. 7. Imports and exports of Singapore, 1947-1970.	72
Figure 3. 8. Trade of Peninsular Malaysia, 1947-1968.	73
Figure 3. 9. Imports and exports of Indonesia, 1951-1971.	74
Figure 3. 10. Exports in Tanjung Pinang, 1963-1970.	75
Figure 4. 1. Number and tonnage of vessels clearing into and out from Singapore, 1870-1906.	94
Figure 4. 2. Number and tonnage of vessels clearing into and out from Riau Islands (including Indragiri), 1866-1905.	95
Figure 4. 3. Number and tonnage of vessels clearing out from Singapore, 1910-1938.	96
Figure 4. 4. Number and tonnage of vessels clearing into and out from Johor, 1919-1932.	97
Figure 4. 5. Number and tonnage of vessels clearing into and out from Riau Islands, 1909-1938.	98
Figure 4. 6. Number and cargo-carrying capacity of vessels in Pulau Sambu and Tanjung Pinang, 1908-1940.	98
Figure 4. 7. Number and tonnage of merchant vessels clearing out from Singapore, 1939-1971.	101
Figure 4. 8. Total tonnage of vessels in Peninsular Malaysia, 1938-1968.	102
Figure 4. 9. Registered number and tonnage of shipping in Indonesia, 1940s-1970s.	102
Figure 4. 10. Total cargo loaded and discharged in Singapore, Malaya and Indonesia, 1939-1971.	103

Figure 4. 11. Estimated growth of number and tonnage of vessels based in Singapore, 1870-1910.112

Figure 4. 12. International and domestic shipping in Riau Islands, 1910s-1930s.117

Figure 4. 13. Cargo loaded and unloaded in Singapore from Riau Islands per month, 1954-1960.123

Figure 5. 1. Land planted with rubber in Johor and Riau, 1906-1975.139

Figure 5. 2. Land planted with palm oil in Johor, 1930-1972.141

Figure 5. 3. Cumulative number of local and foreign firms registered in Singapore, 1925-1949.164

Figure 6. 1. Visualization of the process of globalization in Singapore, Johor and Riau Islands, 1870-1970.188

Chart 1. Hierarchy of four factors in the modified Porter’s Diamond Model.17

Chart 2. Structure of the Japanese military administration in army-occupied areas in Southeast Asia, in December 1941 and April 1943.37

Chart 3. Import and export chains in colonial Singapore, 1870s-1940s.83

Map 1. Singapore, Johor and Riau Islandsxvi

Map 2. Johor-Riau sultanates in the eighteenth and early nineteenth centuries.24

Map 3. Riau Islands and Indragiri in the nineteenth and twentieth centuries.30

Map 4. The Malay Peninsula in 1925.31

Map 5. Japanese operation plan during the Pacific War.39

Map 6. Roads and railways of Malaya in 1945.121

Map 7. Panglong locations in Riau in 1932.155

Weights

1 pikul = 59.5kg = 0.0595 ton

1 pikul = 133.3 lb

1 lb = 0.446 kg

1 metric ton = 2204.6 lb

1 metric ton = 907.2 ton

1 kati = 0.625 kg

1 n.r.t. (net register tonnage) = 2.83 m3

1 g.r.t. (gross register tonnage) = 1.3 d.w.t. (deadweight tonnage)¹

¹ RBI (1960-1965), 288.

Abbreviations

ASEAN	Association of Southeast Asian Nations
BIDA	Batam Industrial Development Authority
BIMP-EAGA	Brunei-Indonesia-Malaysia-Philippines East ASEAN Growth Area
BOB	<i>Badan Otorita Batam</i> (Industrial Development Authority Batam Island)
BPM	<i>Bataafchse Petroleum Maatschappij</i> (Batavian Oil Company)
DJB	<i>De Javasche Bank</i> (The Java Bank)
EIC	English East India Company
FDI	Foreign Direct Investment
FMS	Federated Malay States
FMSR	Federated Malay States Railways
EPZ	Export Processing Zone
FTZ	Free Trade Zone
GMS	Greater Mekong Subregion
HSBC	Hong Kong and Shanghai Banking Corporation
IMS-GT	Indonesia-Malaysia-Singapore Growth Triangle
KPM	<i>Koninklijke Paketvaart Maatschappij</i> (Royal Packet Company)
MIDF	Malaysian Industrial Development Finance
MIE	Malaysian Industrial Estates
MOU	Memorandum of Understanding
NAF	National Armed Force
NEP	New Economic Policy
NHM	<i>Nederlandsche Handel-Maatschappij</i> (Dutch Trading Association)
NIG	The Netherlands Indies guilder
NISM	<i>Nederlandsch-Indische Stoomvaart Maatschappij</i> (Netherlands Indies Steamship Company)
OCA	Overseas Chinese Association

OCB	Oversea-Chinese Bank
OCBC	Oversea-Chinese Banking Corporation
PAP	People's Action Party
SIJORI	Singapore-Johor-Riau Islands
SOCIEA	Singapore Overseas Chinese Importers-Exporters Association
SS	Straits Settlements
SSC	Straits Steamship Company
UMS	Unfederated Malay States
VOC	<i>Vereenigde Oostindische Compagnie</i> (Dutch East India Company)

Acknowledgement

Writing a PhD dissertation is a long and individual process, but without loneliness and solitude. Because it is not only based on personal knowledge accumulation, but also requires intelligence and suggestion from people around. Luckily, I have such a society of befriended people, who accompany and support me along this journey, which is full of pressure, confusion, angst and ultimate happiness. I am greatly indebted to people below who all helped me in various ways.

The traditional rules of Leiden University do not allow me to thank my supervisors, Thomas Lindblad and Henk den Heijer. Yet I think I should be permitted to point out what both have done for me. Dr. Lindblad has supervised me throughout my stay in Leiden, guided me from a student knowing nothing about economic history to completing a PhD dissertation about Southeast Asia. I have greatly benefited from his motivated encouragement, liberal approach and low-pressure lifestyle. His kindness is helpful for both my research and daily life. Prof. den Heijer offered his instruction and kindness from another point of view. His wide knowledge about maritime history and holistic approach is essential to the completion of my PhD research.

My career as a historian started from Xiamen. So I have to thank my master supervisor at Xiamen University, Prof. Hou Zhenping, who led me to the field of history and recommended me to Leiden in 2008. But it was Prof. Leonard Blussé, leader of Encompass Programme, who finally accepted this layman from China. Prof. Blussé used all the staff he had both in the Netherlands and abroad to train, guide and help me, not only regarding academic research, but also daily affairs. In Leiden, the Institute for History has provided me a comfortable workplace where I have received systematic training as a historian. I would like to thank two academic directors of the institute during my stay in Leiden, Prof. Leo Lucassen and Prof. Luuk de Ligt, director of research, Dr. Peet Meel, for their kind support. Many other colleagues and scholars, including Prof. Jos Gommans, Prof. Charles Jeurgens, Prof. David Henly, Dr. Jeroen Touwen, offered their comments and suggestion to me. I am grateful to them. My two paranymphs also deserve special appreciation; Mark van de Water and Chen Hui-Hsuan. Thanks so much for all your help. I am not able to complete my research without reading Dutch. Thus my appreciation goes to Yolanda Spaans and

René Wezel. Also thanks to Dr. Suryadi and Dr. Aone van Engelenhoven, who taught me Indonesian.

This dissertation is based on archival research in different archives, libraries and other institutes. First, I have to thank Leiden University Library and librarians there for giving me access to abundant and precious collection. The former library and librarians of KITLV are also helpful and necessary for my research. Among them, I have to specially mention Mr. Koos Kuiper, who led me to the use of Chinese sources in the special collection of University Library. I also have to thank the *Nationaal Archief* and *Koninklijke Bibliotheek* in The Hague, The National Archives (UK), The British Library, Library of SOAS, where I have collected a number of English sources. In May 2012, I conducted my research Xiamen University. At School of Southeast Asian Study, I received great help from Prof. Wu Fengbin, Prof. Nie Dening, Dr. Liu Yong, and many others. My thanks then go to Southeast Asia. The people at Indonesian National Archives (ANRI), National Archives of Singapore, National Library of Singapore, Library of NUS, Library of University of Malaya are professional and important. They include Dr. Mona Lohanda, Tong Bao Wee, Tan Ai Boay.

Parts of this dissertation have been presented at various conferences and workshops in the Netherlands, Belgium, Indonesia and Indonesia. Among them I want to particularly thank Dr. Sikko Visscher, Prof. Wu Xiaoran, Prof. Eric vanhoutte, Prof. Peer Vries, Dr. Anne Winter, Dr. Remco Raben, who provided essential comments on my research. The Posthumus Institute provided me with special experience, enlarging and deepening my knowledge. It also offered me an opportunity to meet and interact with many other scholars.

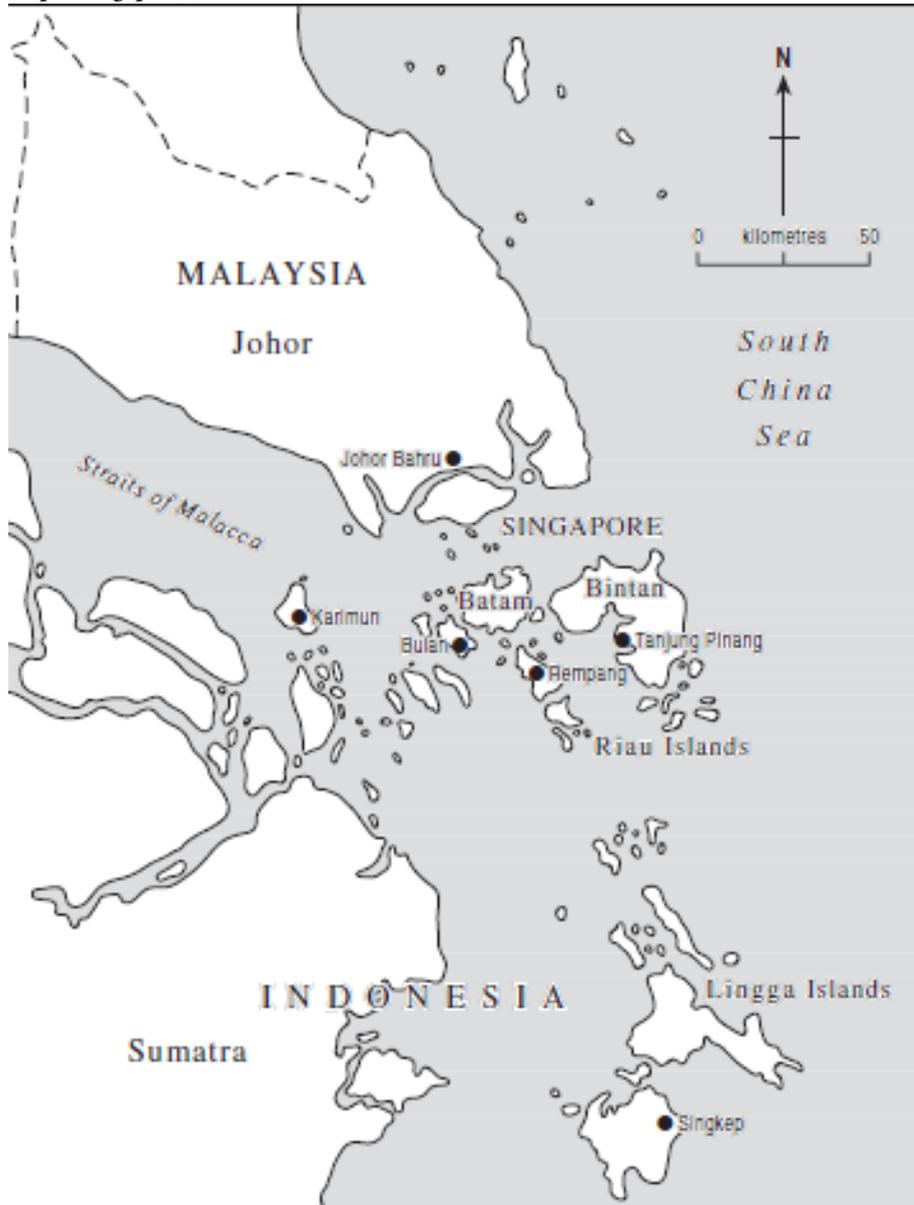
I arrived at Leiden in 2008, joining the third batch of Encompass Programme. Living and studying together made the group like a family, in which, coordinators Dr. Alicia Schrikker, Dr. Monique Erkelens, Dr. Carolien Stolte, Dr. Andreas Weber and Esther Zwinkels acted as the head of the family, guiding the study and life. Also warm thanks to Marijke van Wissen-van Staden, who is the grandma of group, always diligent and observant. She has not only solved a number of tricky problems for me, but also offered her kindness after my daughter was born. During my stay in Leiden, I have greatly benefited from the members of Encompass/Cosmopolis community, and people related with the programme. They are an essential part of life, including Gam Lin Jian Ming, Sun Yunqi, F.X. Widiarso, Ariel Lopez, Dr. Farabi Fakhri, Dr. Pham van Thuy, Sanne Ravensbergen, Wang Zhongxiao, Wen Shanshan, Li Wen, Hying Jeenmai, Dharwis Yacob, Pimmanus Wibulsilp, Uji Nugroho, Yedda Palemeq, Dr. Abdul Wahid, Nadia Fauziah, Seng Guo Quan, Mareta Kartika Sari, Widaratih Kamiso, Intan Wibisono, Nguyen Bao Trang Anda Zara, Nguyen Bao Trang, Maria Ingrid, Ligia Giay, Feng Ying, Fok Kin, Julinta Hutagalung, Meera G Muralidharan, Frank Ochsendorf, Sitton brothers and many others.

My Chinese friends in the Netherlands are also essential for me during the past years. They are always supportive and instructive. I have apologize that I might not be able me list all your names but let me list a few. They are Wang Jun, Shen Jinfeng, Zhou Zhao, Zhao Yuanyuan, Pan Wen, Xu Ran, Feng Haojun, Shi Ying, Wu Jinhua, An Na, Cai Xiangyu, Huang Fei, Jiang Xiaohong. I also have to thank my former classmates, who always gave their warm regards and support from every corner of the world. They include Zhang Hailin, Chen Xiao, Chen Hong, Chen Jingjing, Zhou Li, Zhang Xiaobo, Xu Suolv, Xu Ye, Ji Wei, Guo Chongjiang, Chen Tianyong, Xing Xing, Pan Xinyan, Wang Xiaorui and many others.

Special thanks to Mike Brown, the English editor of my dissertation. He read the whole texts, pointed out my mistakes and corrected the grammar all the way from London. Also Special thanks to Esther Zwinkel and Dr. Lindblad for translating and revising the English summary to Dutch, and to Mahmood Kooria for checking the layout.

Lastly, I would like to give my love and gratitude to my family. It has been quite a long since I left my parents in China. To my mother and my father. Also to my relatives in Jiangyin, who helped lot during my absence. To my beloved wife, Zhang Yanju, who accompanied me in Leiden with great support and patience. This dissertation is dedicated to my little daughter, Xu Xinyi, who was born at same moment as the draft version was completed.

Map 1. Singapore, Johor and Riau Islands



Source: Peachy, Perry and Grundy-Warr, *The Riau Islands*, 2

Introduction

Southeast Asia in the post-war¹ period has been considered a place with changing dynamics, such as strengthened foreign relations, reduced intra-regional tensions and enhanced domestic security. Although there still remain local insurgencies, political disagreements and ideological divergences, much progress in regional economic cooperation and integration has been made by the Southeast Asian nations.² The achievement was further encouraged and formalized during the Bali Summit in 1976, when official cooperation within ASEAN (Association of Southeast Asian Nations) countries was declared. Within this context, then deputy prime minister of Singapore, Goh Chok Tong, announced the establishment of the SIJORI (Singapore-Johor-Riau Islands) Growth Triangle in 1989 with the purpose of economic cooperation between the respective regions. This arrangement also attracted great interest from other regions; thus, when more Malaysian and Indonesian states joined the partnership, a Memorandum of Understanding (MOU) was signed on 17 December 1994 by the representatives of the participating countries to expand SIJORI into a new grouping, the IMS-GT (Indonesia-Malaysia-Singapore Growth Triangle).

¹ In this study, 'post-war' refers to post-Pacific War.

² Leung, *Improving Southeast Asian Security within the ASEAN Framework: Insurgencies and Counterinsurgencies*.

The constituent parts of the SIJORI Growth Triangle included three individual states: a city-state (Singapore), a state within a federal system (Johor) and a province under a unitary system (the Riau Islands). Singapore was represented by its national leaders while Johor was represented by its state leaders and Riau was by its government leaders from Jakarta. Attributed to the effort made by the three states, the SIJORI Growth Triangle has played a crucial role in stimulating regional economic development since its establishment. It opened up new economic opportunities and allowed a considerable transfer of commodities, capital, technology, human resources and knowledge beyond and across national boundaries.³ In Johor, the economy benefited greatly from the close ties with Singapore. In the late 1990s, more than 40 per cent of Singapore's trade with Malaysia was done through Singapore each year. Up to 1998, Singapore became the largest source of foreign investment in Johor and in the same year about 50,000 Johoreans crossed into Singapore daily to work there. The Riau Islands also picked up economic momentum with imminent bilateral links with Singapore. In Batam, Singapore was the largest foreign investor. The US\$200 million Batam Industrial Park was jointly developed by Singapore and Indonesian public and private sectors.⁴ The Riau Islands hence rapidly became a regional industrial centre and tourist destination.

Although this regional cooperation scheme was materialized very recently, as a matter of fact, the formation of regional connections and cooperation is historically rooted. As early as the seventeenth and eighteenth centuries, there was a unified kingdom in this region – the Johor-Riau Sultanate, the territory of which approximately covered the entire area of the triangle.⁵ The Malay authority of the kingdom was destroyed by the Europeans in the late eighteenth century, resulting in the formation of three different polities in the nineteenth century under colonial influence: Singapore, Johor State and the Riau Residency. This division still remains today's border between Singapore, Malaysia, and Indonesia well into the post-colonial period, except during the Japanese occupation when the three regions were placed under a unified Japanese military administration. Such a political separation, however, could not cut off the socio-economic ties within the triangle. Carl Trocki describes a Chinese network covering the three regions, which to a large extent was created by Chinese activities in the form of *kongsi*⁶, opium farming, and

3 Chou, 'Multiple Realities of the Growth Triangle: Mapping Knowledge and the Politics of Mapping'.

4 Thambipillai, 'The ASEAN Growth Areas: Sustaining the Dynamism'. Thambipillai, 'The ASEAN Growth Triangle: The Convergence of National and Sub-National Interests'.

⁵ Andaya, *The Kingdom of Johor, 1641-1728: A Study of Economic and Political Developments in the Straits of Malacca*.

⁶ Or clan society, an organization found among oversea Chinese communities to overcome economic difficulty, social ostracism, etc.

gambir⁷ and pepper plantations particularly in the nineteenth-century, prior to the influx of Western capital.⁸ This network as an early type of regional growth triangle was further identified and underlined by Freek Colombijn. He attributes the formation of this nineteenth century network crossing the Strait of Singapore, to the cooperation of Chinese planters and their plantation of gambir and pepper in the Riau Islands and the financial capital and processing industry in Singapore.⁹ Aside from these visible, legal and formal connections, there are also scholars focusing on the invisible, illegal, illicit and informal aspects – piracy and smuggling. Ota Atsushi depicts how pirates in these areas established and operated their military and commercial networks, and how the Europeans and locals dealt with piracy.¹⁰ Such a type of regional network, mainly created by illegal goods, such as salvage, opium, weapons, raw silk and linen, suggested intensive interaction across the Strait of Singapore from another perspective.¹¹

All three regions used to be incorporated in a unified sultanate, but the conflicts between the Westerners and indigenous Malay rulers in obtaining both political and economic interest resulted in its break-up. On the one hand, it was political relationships, social structures and economic connections helping the construction of modern political borders. On the other hand, informal connections also influenced the colonial state building. The illicit activities of people, objects and ideas crossing the border represented a challenge to the authority of the state and the modernist project of state formation.¹² As E. Tagliacozzo has argued, during the colonial period the border was ‘quickly hardening, with dire consequences for politics, trade, and movement for a wide range of local actors, but resistance to state formation in the periphery and the laying of hard and fast boundaries was determined and swift’. The establishment of modern borders has involved a protracted struggle between demarcating states and recalcitrant local communities.¹³

⁷ A plant originally used as the ingredient of betel drug, later also used in tanning.

⁸ Trocki, *Opium and Empire: Chinese Society in Colonial Singapore, 1800-1910*. Turnbull, *A History of Modern Singapore, 1819-2005*.

⁹ Colombijn, 'Of Money and Trees: A 19th-century Growth Triangle'.

¹⁰ Ota, 'The Business of Violence: Piracy around Riau, Lingga, and Singapore, 1820-1840'.

¹¹ Rosenberg, 'Book Review: Elusive Pirates, Pervasive Smugglers: Violence and Clandestine Trade in the Greater China Seas'.

¹² Tagliacozzo, *Secret Trades, Porous Borders: Smuggling and States along a Southeast Asian Frontier, 1865-1915*. Tagliacozzo and Chang, *Chinese Circulations: Capital, Commodities, and Networks in Southeast Asia*. Gainsborough, *On the Borders of State Power: Frontiers in the Greater Mekong Sub-region*, 105.

¹³ Tagliacozzo, *Secret Trades*, 366.

Singapore was separated from the sultanate and set up as a trading post by Raffles in 1819. Later on in 1826, it was established as a part of the British Straits Settlements and became the government centre for the Straits Settlements.¹⁴ In the years following its establishment, Singapore rapidly achieved paramountcy in the maritime commerce of Southeast Asia, a position earned partly by its strategic location and partly by its jealously protected free-port status.¹⁵ It survived as a British base, living not by taxation upon trade but on the trading activity itself. Its free status turned the island within a few decades into the most flourishing port Southeast Asia had ever seen, a centre of a vigorous and politically demanding mercantile community.¹⁶ As an important entrepôt, Singapore has established broad external linkages with the world, supported by the prosperity of international trade with frequent communications between Singapore and other regions.¹⁷ It was the rise of Singapore that created a gateway to the world economy, which was essentially important for the economic development of Johor and the Riau Islands.

The final Johor-Riau separation took place in the mid-nineteenth century, when the Johor-Riau Sultanate was split into present-day Johor and the state of Riau-Lingga. Johor eventually came under British control, officially becoming a protectorate in 1914 with a British advisor present in the court.¹⁸ For the rest of the territory, a new Riau-Lingga kingdom was built on the ashes of the Johor-Riau Sultanate. Sultan Sulaiman Badrul Shah signed an agreement with the Dutch, surrendering sovereignty over his part of the territory to the Dutch in the early 1860s. Sulaiman was the first sultan to be appointed by a Dutch Governor-General and he worked successfully to improve the economy of the sultanate.¹⁹ His successors were not as obedient as him and the Dutch finally subjugated and dissolved the rebellious sultanate in 1911. Different from Singapore's position as a world trade centre, the economic development in Johor and the Riau Islands relied much on regional production in which both large European plantations and local smallholders exerted their influence.

1. Research period and historiography

Regional socio-political conditions experienced drastic changes, especially since the start of building colonial states in eighteenth century. However, this matter is still less studied. This study focuses on the regional economic connections for the period 1870s-1970s, when Europeans replaced Chinese in terms of economic significance in

¹⁴ Chandler and Steinberg, *In Search*, 137.

¹⁵ *Ibid.*, 137. But Huff emphasizes the importance of geographical location.

¹⁶ *Ibid.*, 136.

¹⁷ Wong, *The Trade of Singapore, 1819-69*.

¹⁸ Butlin, *Geographies of Empire: European Empires and Colonies, c. 1880-1960*, 70.

¹⁹ Matheson, 'Strategies of Survival: The Malay Royal Line of Lingga-Riau'.

the late colonial period and when the status of Malays began rising after achieving independence.

The choice for the 1870s is for several other reasons. First, in contrast to limited colonial activities before the 1870s,²⁰ the period that came after marked a new era for the history of Southeast Asia, represented by new shapes of European empires and considerable colonial expansion.²¹ In a political sense, it witnessed an intensification of European influence in existing imperial territories and the rapid acquisition of new territories, facilitated by the Anglo-Dutch Sumatra Treaty of 1871, which resolved territorial disputes between the two main colonial powers involved.²² On the British side, the Straits Settlements' transformation to a Crown Colony in 1867 further strengthened its direct official governance in the Malay world. Meanwhile, in Johor and the Riau Archipelago, colonial administration showed a pattern of indirect rule. Second, the 1870s saw the final break-up of the old Johor-Riau Sultanate. Abu Bakar, temenggong of Johor, declared himself as a *maharaja* (sultan), assumed control over Muar and declared himself an independent ruler in 1868. In the Riau Archipelago, a Resident was appointed to represent the reality of Dutch political dominance, whereas the Malay sultan was only regarded as an honorific title. Third, external factors, such as the wide use of steamers and telegraph, and the opening of the Suez Canal, brought regional economic development, especially in trade. It accelerated regional integration into the world market.

This study brings the analysis up to the 1970s, when Western colonialism disappeared from this region and local powers intensively stimulated regional economic cooperation and political development by the establishment of ASEAN in 1967. Political pacification created new stimuli for possible economic recovery by the signing of multilateral agreements and resulted, ultimately, in the formation of the SIJORI Growth Triangle. Regional economic development thus stepped into a new era with the process of industrialisation, impressively referred to as the 'Asian Miracle' from the 1980s onwards.

This period is not only largely neglected in historiography but also crucial for understanding current potentials and bottlenecks in the SIJORI. Only several years after the establishment of SIJORI, many scholars have focused on this topic. Most of them have sought the rationales behind and predicted the process, such as Myo Thant, Lee Tsao Yuan, David Wadley and Hayu Parasati, Pushpa Thambipillai, etc.²³

²⁰ Butlin, *Geographies*, 76-7.

²¹ Wesseling, *The European Colonial Empires: 1815-1919*, 75.

²² Butlin, *Geographies*, 32-3.

²³ Thant et al., *Growth Triangles in Asia: A New Approach to Regional Economic Cooperation*. Lee, *Growth Triangle: The Johor-Singapore-Riau Experience*. Wadley and Parasati, 'Inside South

However, the historical aspects are neglected by them. Nevertheless, it has been widely accepted that political separation of this region in the colonial period did not lead to an economic and social break-up. The economic development of Southeast Asia as a whole since the 1870s has attracted a vast amount of scholarship.

In general, as argued by D. P. Chandler and D. J. Steinberg, Southeast Asia in the colonial period has been considered as an exporter of raw materials of tropical agricultural commodities and mining products and an importer of Western manufactured goods determined by colonial policies and other impersonal forces of the world market. By means of these commodities, Southeast Asia entered the emerging world economy, establishing various links with other regions.²⁴ This trade-directed economic development was thus characterized by export industries, involving millions of people and vast planting and trading areas, as a consequence of scientific and industrial revolution.²⁵ On the Malay Peninsula, the once great importance of trade as the economic base of policies was retarded from the late seventeenth century, not to be restored until the twentieth century. Nevertheless, the pattern of trade – tropical agricultural raw materials and some mining products for imported manufactured goods – continued through the export boom of the late nineteenth and early twentieth centuries. The same situation held true in the Netherlands Indies, where export of plantation commodities boomed under the influence of liberal economic policies from 1870. Economically important products – coffee, sugar, tobacco and tin – were, or came to be, concentrated in the three centres of Java, the northern Philippines, and the Straits Settlements (SS). The rest of island Southeast Asia was both economically marginal and politically marginal.²⁶ Such a picture of discrepancy between the core and the marginal could also be applied to describe the different economic patterns of Singapore, Johor and the Riau Islands: Singapore's predominance in trading and shipping, which relied directly or indirectly on Johor and the Riau Islands.

With regard to the economic development of Singapore, first Wong Lin Ken, followed by W. G. Huff, has described a continuous trade expansion and port development from 1819 till the modern period. Their global perspective puts Singapore to a world context. Guided by economic development theory, W. G. Huff describes the development process of Singapore's port economy in detail. Before the Pacific War, it performed as a staple port, without agricultural and industrial foundation, relying heavily on the commercial products from Malaya and Indonesia, which were also fundamental to its post-war development.²⁷ By the 1970s, when

East Asia's Growth Triangles'. Thambipillai, 'The ASEAN Growth Areas'.

²⁴ Chandler and Steinberg, *In Search*, 167.

²⁵ Ibid.

²⁶ Ibid., 141.

²⁷ Huff, *The Economic Growth of Singapore: Trade and Development in the Twentieth Century*,

manufacturing became the economy's leading sector, Singapore could no longer be defined as a staple port, but rather as a centre of protected import substitution industrialization.²⁸

By contrast, the study of economy in Johor, as a district region, is relatively lacking. It is usually combined with the economic history of the Straits Settlements, and later on with Malaysia.²⁹ Even so, Johor does not receive much attention in this general picture, despite some work done by Trocki³⁰, Patrick Guinness³¹ and C. M. Turnbull.³² Their research shows that the economic embryo of Johor was nourished by the introduction of Chinese gambir and pepper plantations in the 1840s; the plants had been cultivated in the Riau Islands and Singapore before they reached Johor.³³ When these traditional agricultural plantations declined at the end of nineteenth century, rubber plantation took their place, facilitating the formation of the modern economic sector. However, as argued by Colin Barlow and John Drabble, rubber cultivation in Malaya was concentrated on the western side of the peninsula, namely the Federated Malay States (FMS).³⁴ After 1970, Johor came under the guidelines of the New Economic Policy (NEP), with increasing economic opportunities for Malays. Johor was integrated gradually into the national economy of Malaysia.

Nevertheless, the significance of Johor in this general picture needs more examination. In its long course of economic development, several sub-phases can be identified according to the shift of capital or economic pattern: Chinese domination in traditional plantations before the twentieth century; the expansion of European capital in the first half of twentieth century; and the formation of a state economy after independence with focus on the Malays. The changing power of these different ethnic groups in Johor's economic development resulted in a controversy about the

28.

²⁸ Ibid., 34.

²⁹ Important works include Cho, *The Malaysian Economy: Spatial Perspectives*. Rahman et al., *The Maritime Economy of Malaysia*.

³⁰ Trocki, *Opium, Empire and the Global Political Economy: A Study of the Asian Opium Trade*. Trocki, *Prince of Pirates: The Temenggongs and the Development of Johor and Singapore, 1784-1885*.

³¹ Guinness, *On the Margin of Capitalism: People and Development in Mukim Plentong, Johor, Malaysia*.

³² Turnbull, *A History of Singapore, 1819-1975*. Turnbull, *The Straits Settlements 1826-67: Indian Presidency to Crown colony*.

³³ Guinness, *On the Margin*, 2-3.

³⁴ Barlow and Drabble, 'Government and the Emerging Rubber Industries in Indonesia and Malaya, 1900-1940'.

reasons for the decline of Chinese plantations (gambir, pepper and coffee), the rise of Western rubber plantations from the end of the nineteenth century, and favourable policies towards the Malaysia from the 1950s. Trocki attributes the decline to plant disease, lower world market prices and labour shortages.³⁵ The same factors are also applied to the Riau Islands and are partly indicated by the trade structures of Singapore. It helps explain the mutual relationships of the three in the context of British and Dutch expansion.³⁶ The rise of national consciousness with the enhancement of Malays brings about another controversy. During the colonial period, kampong residents (also called kampong Malays³⁷) had already been increasingly involved in plantation work, but they were marginalized in the expansion of Johor economy due to their low economic status.³⁸ Although post-war government policy deliberately raised their political status, their economic incapability resulted that the ethnic Chinese still played a dominant role in the economic field. Therefore, the post-war ethnic relationship became an uncertain factor in economic development in Johor.

Different from both Singapore and Johor, economic development in the Riau Islands represented a combination of plantations and trade as shown by historians. Commodities exported from the Riau Islands from the 1870s onwards included the traditional agricultural products of gambir, pepper, gutta-percha and palm fruits, and mining products, such as tin.³⁹ From the 1920s, rubber and petroleum (in the Lingga Islands) dominated the trade. The importance of these two products in the regional economy has been maintained up to present times. However, except the traditional agricultural products which were locally produced in a large amount, only a small quantity of tin was produced in Bintan, Singkep and the Lingga Islands. Moreover, the majority of rubber exported from the Riau Islands was planted in the plantations on the mainland Sumatra, whereas all petroleum products came from the oil fields in Sumatra and Borneo. This situation indicates that the transshipments in the Riau Islands performed a key role in the entrepôt trade between the Outer Islands of the Netherlands Indies and Singapore. Attributed to its strategic position, more than 65 per cent of the commodities from the Riau Residency were exported to Singapore, and only 28 per cent to Java. As a result, early as the nineteenth century, a number of coastal towns in the Netherlands Indies, such as Tanjung Pinang (1829), Bandar Lampung (1839) and Sabang (1899) were selected as free ports. In the Riau Islands, both Europeans and Chinese dominated the regional export business, although the

³⁵ Trocki, *Prince of Pirates*, 195.

³⁶ *Ibid.*, 6.

³⁷ In Malay: *ummah*. It refers to Malays living in the villages, in contrast to urban Malays (*rakyat*).

³⁸ Trocki, *Prince of Pirates*, 12.

³⁹ SHS (1879, 1910), MCKS (1938).

role of indigenous Malays could not be ignored.⁴⁰ Economic development in the Riau Islands has been depicted as a plural economy in which both large European plantations and local smallholders exerted their influence.

In short, current historiography describes the regional economies individually and points out some factors accounting for the regional development. However, with regard to economic development of the three regions as a whole and the internal relationships between these factors, the study is insufficient. From a macro perspective, we see a general picture of economic networks in Southeast Asia: world-shipping centre at Singapore, the origin of primary commodities in the Malay Peninsula and the Netherlands Indies. But from a micro perspective, the attention has been unbalanced. The central position of Singapore has already been established in academic works, whereas the individual economic development of Johor and the Riau Islands has often been linked to the economic performance of British Malaya and the Netherlands Indies. A biased perspective erases the memory of the glories of the old Johor-Riau Sultanate. Rather than see it from either a Eurocentric perspective or a local ideology, in this study we have tried to stand outside and bridge the gap, searching for unity between them.

2. Research question, methodology, sources and structure

Although we should be cautious to identify the effect of these historical events, undoubtedly, colonial legacies have strong impact on present decision-making. Departing from this point, this study tries to reveal the economic connections within the SIJORI Growth Triangle covering Singapore, Johor and the Riau Islands, to answer the central research question: how did the regional economic system integrate into the world market in the context of globalization?

The research question is addressed in a twofold manner: internal integration to strengthen the existing regional economic system and external integration vis-à-vis the world market. The formation of a regional economy is indicated by three aspects in this study: trade, shipping and capital, which should be analysed within a socio-political background. The economic development with mutual connections between the three states has been attributed to individual comparative advantage of resource endowment, strategic position and favourable policies. In this study, we try to seek more factors beyond the range of comparative advantage and to adopt Porter's Diamond Model of competitive advantage to reveal the factors for the different paths of economic development in Singapore, Johor and the Riau Islands. In

⁴⁰ Touwen, *Extremes in the Archipelago: Trade and Economic Development in the Outer Islands of Indonesia, 1900-1942*.

addition, their individual performance was not an isolated process, but deeply interwoven with the world economy. We apply David Held, Anthony McGrew and other co-authors' concept of 'global transformations' to measure the integration of the SIJORI region as a whole with the outside world in the process of globalization to demonstrate the relationship between globalization and regionalization.

The study is based on the consultation of trade and shipping statistics, annual reports, bank reports and other official and unofficial publications covering a wide range of languages. Although these sources provide sufficient data for this study, the information remains unbalanced. First, these sources are sufficient for the analysis of official trade and shipping connections. On the other hand, hardly any sources exist that give information on illicit trade, piracy and other financial dealings. Therefore, this study can only marginally touch on illegal, invisible or secret connections. Second, primary sources are not available for the whole period, especially concerning the period of Japanese occupation. The discussion hence relies on the secondary literature. Third, many statistics concerning the post-war situation relate to the national level. An examination of the relationship between the national economy and the regional economy is required.

Based on these concepts, the rest of this dissertation is designed as follows: Chapter 1 outlines an analytical framework presenting the theoretical models. Chapter 2 provides an overview of the socio-political background of Singapore, Johor and the Riau Islands, with specific attention given to political transformations and ethnic relationships. Chapter 3, Chapter 4 and Chapter 5 focus on the three networks individually in three spheres – trade, shipping and capital – in the period under study. Each of the three chapters describes both individual performance and mutual connections. The points discussed in these four chapters are synthesized using the Porter's Diamond Model to show the process of regional internal integration. Chapter 6 analyses the external link of the growth triangle by using the globalization model. If without specification, all the values in this study are in current prices. When describing long-term trends, we consult a regional price index or deflator to reveal economic development in real terms.

Chapter 1

Analytical Framework

This study aims at describing both internal and external integration of SIJORI from a historical perspective. These two patterns of integration are analysed in a twofold analytical framework, which is outlined in this chapter.

1. Connections in the growth triangle

'Growth triangles' are considered as a unique Asian solution to the operational problems of regional cooperation among countries at different stages of economy development with different social and economic systems.¹ Thus immediately after the establishment of SIJORI, many other regional cooperation schemes were created, such as Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT), the Greater Mekong Subregion (GMS), the Brunei-Indonesia-Malaysia-Philippines East ASEAN Growth Area (BIMP-EAGA), Northeast Asia Economic Cooperation. Nevertheless, SIJORI by far was the most successful. Therefore, understanding the experience of SIJORI can help deepen our knowledge about other regional cooperation.

¹ Arnold, 'Growth Triangles in Asia: A New Approach to Regional Economic Cooperation Edited by Myo Thant, Min Tang, and Hiroshi Kakazu (Book Review)'.

Within the SIJORI Growth Triangle, theoretical rationales for this regional cooperation have been investigated by both officials and scholars. At its heart lies an improved redistribution and exchange of regional comparative advantage, such as massive flows of foreign investment, geographical proximity, labour, capital, technology, etc.² On the one hand, Singapore, as the largest trade and financial centre in Southeast Asia, is endowed with considerable capital, skilled labour, high technology, an easy access to world markets, and an advanced infrastructure. By contrast, the lack of these advantages has been a check on economic development in Johor and the Riau Islands. On the other hand, Singapore is a very tiny island without natural resources, sufficient land and unskilled labour, which, however, are abundant and rarely utilized in adjacent Johor and the Riau Islands. Such complementary differences create a wide scope for their cooperation.

Such cooperation is materialized by various connections between the three states, perceived in four dimensions in this study: socio-political aspect, trade, shipping and capital.

Socio-political change

According to Chandler and Steinberg, colonial powers did not simply seize control of pre-existing states. Cutting across established lines of political association or amalgamating previously separate societies, they created new political frameworks and imposed on the Southeast Asian states a new order, which altered economic life.³ The political evolution was further complicated by the participation of multi-ethnic groups in this region, e.g. Europeans, Chinese, Malays, Indians and Bugis.⁴ Therefore, the relationships between the British and Dutch, between Malay chieftains situated in the three regions, between Europeans and Malays, and between other ethnic groups was reflected in issues such as the succession to a throne, the management of labour, the acceptance of an advisor, the organization of the Chinese population and similar matters. As a result, various links and networks covering the whole region were created: the genealogical links between Malay royal families, regional Chinese networks and Western international networks.⁵

² Thant et al., *Growth Triangles*. Lee, *Growth Triangle*.

³ Chandler and Steinberg, *In Search*, 167.

⁴ The study of Bugis in this study remains a difficult point. Very little information is available. Chandler and Steinberg have written that the Dutch in 1784 expelled the Bugis from both Selangor and Riau. At Riau, they extracted from the Malay Sultan Mahmud a treaty permitting the establishment of a Dutch garrison and Resident on Pulau Penyengat, but this arrangement had scarcely become effective when Ilanun sea raiders from Borneo, summoned by Sultan Mahmud, expelled the Dutch in turn – though Mahmud and the Malay also left, fearing Dutch revenge. The Bugis remained for the moment in Selangor and in their possessions in Borneo. See *ibid.*, 135.

⁵ *Ibid.*

It is therefore necessary to first pay attention to regional socio-political aspects, surveying the evolution of political changes and the social structure. The intricate political relationships and the individual economic attitudes of various ethnic groups resulted in both competition and cooperation in regional economic development. This point is explained by following specific aspects in this study: political transformations, political relationship between governments, population growth, demographic composition and ethnic relationships.

Trade connection

A trade network is created by trade flows between a port and its hinterland, and between port and its foreland. Singapore was an international trading port with almost the entire Johor and part of the Riau Islands as its hinterland. The vast foreland for imported goods included the destinations all over the world. Ports in Johor and the Riau Islands, such as Johor Bahru, Tanjung Puteri, Muar, Batu Pahat, Tanjung Pinang, Pulau Sambu, played a role as feeder ports, collecting commodities from the production areas, and then transporting them to Singapore for international transshipment. However, such a pattern was influenced by political intentions. In the colonial period, the Dutch intended to prohibit ports in the Riau Islands inclining to Singapore, although following natural economics, it was easier for Singapore than Batavia to attract shipments from the Riau Islands. The same policy of avoiding Singapore was also pursued in post-war Indonesia and Malaysia for the development of their national economies. The rivalrous relationship between Singapore and ports in Johor and the Riau Islands were directly reflected by the trade conducted both at the international level and the regional level through business firms. The rise and fall of these companies during the research period determined the range and intensity of regional mutual connections and indicate how they connected to the outside world, whose reaction influenced regional economic conditions by prices, demand and consumption.

Shipping connection

A shipping network is created by vessels, acting as the carriers of trade. Here attention is paid to the freighter rather than the passenger ship. Singapore, in this study, is fed by commodities coming from a hinterland which can be described as organized and developed land space connected to a port by means of transport routes.⁶ Two types of shipping networks are identified: an international shipping network comprising ocean vessels transporting cargoes to and from the world

⁶ Weigend, 'Some Elements in the Study of Port Geography', 192-3.

market,⁷ and an internal shipping network with vessels navigating within the Singapore, Johor and Riau Islands waters. The extent and intensity of both networks can be measured by both the volume of outbound and inbound shipping, the number of shipping routes, or net tonnage moving in a certain direction, or in terms of origin and destination of cargo.⁸ It is also an indicator assessing the strength of this region connecting to the outside world and measuring the degree to which the region is involved in world trade and economy. These two patterns of connections are reflected by the shipping companies: European shipping companies carried more international shipping, whereas Chinese and indigenous shipping companies performed a more important role in regional navigation.

Capital connection

The third network is created by capital investment in different sectors: agriculture, manufacturing and services (especially financial services). The relationship between the different sectors can be illustrated by the creation of 'linkages':⁹

1. When a leading-sector industry makes use of input from other local industries, it generates 'backward linkages' (transportation and seaports, a shortage of social overhead capital).
2. When the output of the leading industry is used by other industries, we speak of a 'forward linkage' (residiary industry).
3. Consumption linkage effects.
4. Fiscal linkage.

Many scholars, notably Thant Myint and Thee Kian Wee have discussed regional trade pattern of vent-for-surplus and argued for a limited creation of linkages in this region. Limited regional industrial and financial activities have also been discussed by some paralleled studies, such as Wu Xiaolan, who described Chinese capital circulation in Kedah and Penang, Malaysia¹⁰, and Sikko Visscher, who analysed Chinese business and other economic activities in Singapore within the society of Chinese Chamber of Commerce and Industry in Singapore.¹¹ Many of their results are based on regional cases rather than cross-boundary networks. As a matter of fact, many linkages were created in Singapore based on the production of raw materials from Johor and the Riau Islands, financed by both international commercial banks and small regional banking institutions.

⁷ *Ibid.*, 195.

⁸ *Ibid.*, 196.

⁹ Touwen, *Extremes*, 32-3.

¹⁰ Wu, *Chinese Business in the Making of the Malay State, 1882-1941: Kedah and Penang*.

¹¹ Visscher, *The Business of Politics and Ethnicity: A History of the Singapore Chinese Chamber of Commerce and Industry*.

These different kinds of connections existed not only within the triangle area but also between the triangle and the outside world. This thus resulted in two patterns of integration. Internal integration is determined by the mutual connections between Singapore, Johor and the Riau Islands, while external integration is considered as the outward connection of this region with the world.

2. Internal integration

The theory of comparative advantage is preferred by scholars to explain the formation of the SIJORI. However, regional conditions were much more dynamic than comparative advantage could explain. Factors such as changeable political relations, dynamic social structure, government policies, etc., also played an important part in the creation of internal connections between Singapore, Johor and the Riau Islands and they are considered as competitive advantage. The theory of competitive advantage is well illustrated by the Diamond Model designed by Michael E. Porter. According to him, the success of a nation lies in four attributes that shape the environment in which local firms compete, promote or impede competitive advantage: (1) factor conditions, (2) demand conditions, (3) related and supporting industries, (4) firm strategy, structure and rivalry.¹²

In order to reveal the internal relations between the three states, we modify the model by introducing the elements of comparative advantage to apply it at the level of regions. To fulfil the specific spatio-temporal conditions, the modified Diamond Model not only incorporates the core concept of 'innovative competitiveness' in Porter's framework, but also traditional factors emphasized in the theory of comparative advantage. We attribute the competitive economic performance of a (sub)region to four categories of factors borrowed from Porter.

1. Factor conditions. Porter gives emphasis to the role of skilled labour, infrastructure and knowledge, while we think the traditional comparative factors still play an essential part, especially in the early stages of economic development. In this study, we choose following variables in this category: geography, natural resources and the accessibility, available land, skilled and unskilled labour, infrastructure and the region's stock of knowledge and technology.

2. Demand conditions in the model, different from Porter's focus on home demand for the industry's product, refers to demand for local products and services. It is reflected by the chosen variables referring to trade, shipping and their actors – trade agents and shipping companies. Trade and shipping represent the service demanded from the regional and world markets. International trade and shipping

¹² Porter, *The Competitive Advantage of Nations*, 71.

indicated the outward connections of the triangle to the global world, whereas regional trade and shipping created a regional network. The tricky point is the classification of interinsular trade and shipping of the Riau Islands within Indonesia, which on the one hand, was conducted outside the triangle, and on the other hand, was confined to the Indonesian domestic market. Regarding influence from outside the triangle region as an external factor, we prefer to consider this as external trade and shipping. Actors are indicated by trade agents and shipping companies. As the most important actors of trade and shipping, the rise and fall of business firms and shipping companies operated by various ethnic groups reflected the changing value of these variables.

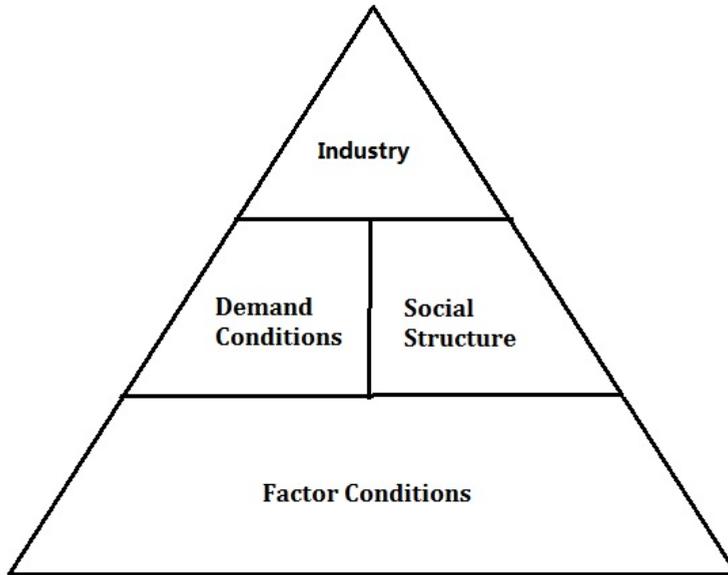
3. Related and supporting industries. As argued by Porter, the presence or absence of supplier industries is related to industries that are internationally competitive. According to regional conditions, chosen variables in this category include agriculture, agroprocessing industry, mining, forest production, other supporting industries and financial services..

4. Firm strategy, structure and rivalry. These elements are stressed in Porter's original model as determinants of how companies are created, organized and managed. In our perspective of a region, we introduce the 'social structure' of a region as an alternative to the firm organization. Two aspects are distinguished: the composition of different ethnic groups in the society, and relationships between different ethnic communities: cooperation or rivalry.

The determinants listed above define the context in which the regional economy performs. Following the mechanism of the original Diamond Model, these four categories of factors, do not apply individually but interact on one system. The system shows a pattern of mutual influencing and reinforcing. This argument is particularly important in the Singapore-Johor-Riau Islands region as the cumulative effect of these factors over such a long period is so influential that they determined the continuity or discontinuity of regional economic development.

The function of another two determinants argued by Porter, chance and government policy, are also taken into consideration. Chance here refers to external events outside the control of a region, such as natural disaster, significant shifts in world economy, political decisions by foreign governments, wars. They bring in discontinuities that can unfreeze or reshape economic structure and provide the opportunity for a region. The function of government is indicated by political stability, government policies and the initiation of projects. Because of the different hierarchies and status of the three regions in their own governments, the variable of effectiveness of the government in influencing the region is adopted here to the complete theory. These two additional determinants do not have direct influence on the economic performance but through the impact on the other four categories of factors.

Chart 1. Hierarchy of four factors in the modified Porter's Diamond Model.



Inspired by Porter's differentiation by type of factors, we also distinguish different hierarchies. Factor conditions play a role in initial development based on resource endowment, which, however, could not be created or accumulated. Demand conditions and social structure largely influence or determine the utilization and distribution of the factor conditions. Industry stands at the top of the hierarchy because of its growth importance in economic development (Chart 1). Weights are assigned: Industries (+3), Demand conditions (+2), Social structure (+2), factor conditions (+1). Concerning the variables of factor conditions, another classification is made with assignment of different weights: basic factors ($\times 1$) and advanced factor ($\times 2$). Basic factors include geographical location, natural resources, land and labour, the value of which cannot be accumulated or created. The rest is considered as advanced factors which can be upgraded and are more significant for the competitive advantage, including infrastructure, knowledge and technology, demand conditions, social structure and related industries. The mechanism of two additional factors works differently. The impact of 'government' is rather consistent, thus we consider it to have had a 'multiplier effect' with a coefficient $(\frac{1}{4}, \frac{1}{2}, 1, 2)$. 'Chance', instead, plays a role of bringing in discontinuity and great change, as the impact is usually sudden and dramatic. We consult this variable in two ways: (1) the mark of periodization (political decisions); (2) extra consultancy (economic shift, wars).

Each variable needs evaluating before we can present a complete picture. Data and evaluation are based on the discussion in the previous chapters. Depending on the characteristics of the variables, two different methods are adopted here. Concerning the basic variables, the evaluation is assigned by using a 4-point scale (very disadvantageous (+1), disadvantageous (+2), advantageous (+3), very advantageous (+4)). For the other dynamic variables, we use a cumulative assignment (the effect of these variables can be created, accumulated, but also degraded in the time series). The cumulative value is controlled from 0 to 10, but standardized at the level of 4-point scale. The different initial values also reflect the regional difference between Singapore, Johor and the Riau Islands from the beginning.

The aim of using Diamond Model is to seek a pragmatic approach to link theories of both comparative and competitive advantage. According to (neo)classical economists such as Adam Smith, David Ricardo, E. F. Heckscher and B. Ohlin, trade is realized and stimulated because of regional comparative advantage vis-à-vis other countries, gained mainly from the following factors: (1) technological superiority, (2) resource endowment, (3) demand patterns, and (4) commercial policies. Concerning its concrete application in this triangle, Huff attributes Singapore's dominance in trade to geographical advantage more than port facilities in the colonial period.¹³ Considering the trade of Malaysia, P. P. Courtenay has also highlighted the role of geographical position of the peninsula. Together with the liberal policies since the middle nineteenth century, free trade thus offered great opportunities for development, stimulating the later export economies.¹⁴ Modern critics of colonialism attribute its continuation to the policies of the colonial powers, and there is ample evidence to show the importance of colonial policy in promoting this pattern of trade when government intervention became more and more significant. Even in their works, Courtenay and Huff have analysed the later development of Malaya and Singapore in a global long-term context, attributing the different economic patterns to the change of colonial policies, from laissez-faire, to more government intervention. Similarly, my MA thesis on the influence of geography on the Riau Islands shows that the geographical distribution of productive resources as an exogenous variable and the effect of natural advantage or locational fundamentals can also explain embryonic development in this region.¹⁵

However, the theory of comparative advantage relies on certain assumptions that may or may not hold, particularly in an environment of free trade.¹⁶ The following points are not incorporated into comparative advantage: transport costs, diseconomies of scale due to increased specialisation, government intervention, and

¹³ Huff, *The Economic Growth*.

¹⁴ Courtenay, *A Geography of Trade and Development in Malaya*.

¹⁵ Xu, 'Link Sumatra with the World; A Study of Regional Port Networks, 1870-1940'.

¹⁶ http://www.americaneconomicalert.org/view_art.asp?Prod_ID=3076

dynamic advantage. Ever since the 1930s when protectionism and interventionism became more prevalent, the 'inherited' and 'static' factors emphasized by theory of comparative advantage are not sufficient to explain and support modern international business. The theory of competitive advantage is favoured, especially by non-economists, as a predictor of economic fortune. Compared to the theory of comparative advantage, competitive advantage focuses more on 'created' factors, such as innovation, technological improvement and demand.¹⁷ These inherent reasons explain why some countries and industries are more successful than others on a global scale.¹⁸

Porter's Diamond Model is only applicable to internal integration of growth triangle. The value assignment of variables is dealt with differently throughout the study. The discussion of factor conditions is largely based on existing historiography and empirical results. The aspects on social structure and government are discussed in Chapter 2. Chapters 3 and 4 deal with demand conditions and Chapter 5 aims at giving discussing related industries. The provisional overview of the results is displayed at the end of chapter 5.

3. External integration

Although the different economic performance of Singapore, Johor and the Riau Islands can be attributed to individual competitive advantage, the long-term development did not take place in isolation but was closely interacted. Their mutual connections resulted in economic flows between the three, cementing a regional economic system connected to the world market. However, the description and analysis of mutual connections within the triangle is confined to a regional perspective. In practice, such a regional economic system must not be separated from the global world. Accompanied by the expansion of international trade, shipping and capital investment, the integration of the regional system to world market is also gradually deepened in the process of globalization. Noticeably, the primary basis of regionalism worldwide has been economic. Cooperation and integration through trade, foreign investment, international finance and cross-border development projects has been the main foundations for regional grouping to cohere.¹⁹ In order to reveal individual levels of economic globalization of Singapore, Johor and the Riau Islands, we apply the model suggested by Held, McGrew and other co-authors.

¹⁷ Gupta, 'Comparative Advantage and Competitive Advantage: An Economics Perspective and a Synthesis'.

¹⁸ Özer et al., 'International Competitive Advantage of Turkish Tourism Industry: A Comparative Analyse of Turkey and Spain by Using the Diamond Model of M. Porter'.

¹⁹ Dent, 'Paths Ahead for East Asia and Asia-Pacific Regionalism'.

Globalization is not a new term, but its definition varies from scholar to scholar. Nevertheless, it reflects a widespread perception that the world is rapidly being moulded into a shared social space by economic and technological forces. To sum up, Held, McGrew and others define globalization as ‘A process (or set of processes) which embodies a transformation of the spatial organization of social relations and transactions – assessed in terms of their extensity, intensity, velocity and impact – generating transcontinental or interregional flows and networks of activity, interaction, and the exercise of power.’²⁰

In short, globalization describes ‘flows’ between the major regions in the world economically, locally, regionally, or internationally; the flows can be in the form of commodities, people, capital, social impact and cultural ideology. In order to assess the forms of globalization, Held, McGrew and others have adopted eight dimensions to assess globalization:

Four spatio-temporal dimensions:

The extensity of global networks

The intensity of global interconnectedness

The velocity of global flows

The impact propensity of global interconnectedness

Four organizational dimensions:

The infrastructure of globalization

The institutionalization of global networks and the exercise of power

The pattern of global stratification

The dominant modes of global interaction

Four historical forms are distinguished, representing four historical periods: thin globalization (pre-modern period), expansive globalization (early modern period of Western expansion), thick globalization (late nineteenth century) and diffused globalization (contemporary).²¹ Such a classification is also disputable. As criticized by scholars, this model and its periodization are based on developed countries without considering the Third World.²² The pattern of global stratification is one-sided. Moreover, the distinct historical forms also need a careful examination, as most attention is paid to the contemporary period.

To undertake a supplementary analysis, the triangle region of Singapore-Johor-Riau Islands provides an ideal case study, particularly from the

²⁰ Held et al., *Global Transformations: Politics, Economics and Culture*, 16.

²¹ *Ibid.*, 16-27.

²² Such as Bentley, ‘Global Transformations by David Held, Anthony McGrew, David Goldblatt, Jonathan Perraton (Book Review)’. Short, ‘Global Transformations by David Held, Anthony McGrew, David Goldblatt, Jonathan Perraton (Book Review)’. Winters, ‘Global Transformations by David Held, Anthony McGrew, David Goldblatt, Jonathan Perraton (Book Review)’.

perspective of economic globalization. Merits are as follows: (1) one common characteristic of different forms is the high extensity. Thus on the other hand, the low extensity is considered as localization. The analysis of different extensities of Singapore, Johor and the Riau Islands thus can help reveal the relationship between localization, regionalization and globalization; (2) the incorporation of Johor and the Riau Islands which are relatively poorer can help better reveal the global stratification; (3) the discussion of the process of globalization can be enriched by focusing on this long research period of one century.

The analysis is based on the original model by consulting the four spatio-temporal dimensions concerning Singapore, Johor and the Riau Islands. Extensity is evaluated by trade and shipping networks, foreland and hinterland analysis and the origin and destination of capital. Intensity is quantitatively indicated by volume and value of trade and shipping, whereas velocity is qualitatively measured by the development of technology in transport and communication. Regarding the impact, four types are distinguished by Held, McGrew and others: decisional, institutional, distributive and structural. In the triangle area, this aspect is indicated by social structure of a region as influenced by the external forces, such as the population of foreigners, foreign enterprises and capital, Western institutions, etc. Four periods are distinguished in accordance with the periodization: early imperialism, high colonialism, war and decolonization. Assignment of evaluation is by ranking based on spatio-temporal dynamics, ranging between -3 (extremely low) and +3 (extremely high). This globalization model only serves as an analytical framework for external integration discussed in Chapter 6.

Chapter 2

Political Development and Demographic Features

A unique feature distinguishing this region from other places in the world is the dynamic socio-political relationship between different ethnic groups rooted in colonial times. Since then, both conflict and compromise have occurred among the Europeans, Malays and Chinese, as well as other regional minorities, resulting in two regional dichotomies: (1) socially, the indigenous (Malays) vs. the outsiders (Europeans, Chinese, etc.); (2) politically, the rulers (Europeans and Malay nobles) vs. those ruled (Malays, Chinese). These features have a direct impact on economic development. A retrospective survey of regional political development and demographic features are therefore needed to provide a context for the later analysis of economic development.

1. Political development

The formation of Singapore, Johor and the Riau Islands was far from a sudden event, but a long process starting with the decline of the Johor-Riau Sultanate in the late eighteenth century. In order to reveal the coherency of regional political transformations, the point of departure of this political survey begins much earlier than the researched period here.

The beginning of Western penetration (pre-1824)

Apart from their geographical proximity, Singapore, Johor and the Riau Islands had also formed a natural and inseparable part of various early unified kingdoms in Southeast Asia. The kingdoms of *Srivijaya*, *Majapahit* and Malacca had successively incorporated this region from the eighth till the early sixteenth century.¹ Under their influence, the Johor-Riau area emerged as a regional religious and political centre which was not challenged until 1511 when Malacca was conquered by the Portuguese.² After several decades of resistance, another independent kingdom, the Johor-Riau Sultanate was established on the ruins of the old kingdom by the son of the exiled sultan of Malacca, Sultan Alauddin Riayat Shah. The capital was in Johor Lama, located near present-day Kota Tinggi in Johor state. It was moved to Bintan Island in the Riau Islands in 1587.³ This was the origin of Singapore, Johor and the Riau Islands as a unified power. The Riau Islands became the political gravity of the mighty sultanate and was long considered the centre of the Malay sultanate,⁴ whereas the mainland territory of Johor together with Singapore served as one of the fiefs of the sultanate

The history of the Johor-Riau Sultanate is an almost uninterrupted record of wars. Various powers, including the Portuguese, the Dutch, the British, the Acehnese, the Bugis and the Malays fought with each other over both political and economic interests. Temporary peace was not achieved until 1784 when the Dutch recognized the Malay sultan as ruler of the sultanate, and drove the Bugis to a small island, Penyangat, off Bintan Island. Later on, in 1818, the Dutch colonial government stationed, at the capital of the sultanate, Tanjung Pinang, a Resident and a garrison to achieve effective administration of the sultanate.⁵ In this bureaucracy, the Malay sultan⁶ and Bugis viceroy⁷ had to accept their positions as dependent princes. Losing real power and independence, the old sultanate fell into dissolution.⁸ In the early nineteenth century, the temenggong, one of the important Malay officials of the

¹ Abshire, *The History of Singapore*, 14.

² ARFM (1949), 182-3.

³ Lim, *Johor, 1855-1957: Local History, Local Landscapes*, 13.

⁴ For more discussion see the literature about the history of Malays, such as Falarti, *Malay Kingship in Kedah: Religion, Trade, and Society*.

⁵ Matheson, 'Mahmud, Sultan of Riau and Lingga (1823-1864)', 119-46.

⁶ In Malay: *Yang di-Pertuan Besar*, which literally means 'He Who Is Made Great' or 'Great Ruler' in the monarchs of the ancient Johor-Riau Sultanate (c. seventeenth to nineteenth centuries). This was a secondary title, the primary title being sultan.

⁷ In Malay: *Yang di-Pertuan Muda*; in Dutch: *Onderkoning*. It is also known as deputy ruler or crown prince.

⁸ JAR (1930).

sultan, left his settlement on the island of Bulang in the Riau Islands to escape the conflicts and instability in the Malay court. He settled in Singapore, off the southern tip of Johor, and never returned to the Riau Islands.⁹ This situation remained until the British obtained a complete cession of the island of Singapore by virtue of treaties concluded in 1819 and 1824 with Hussein (elder brother of the Dutch-appointed sultan in the Riau Islands) and Temenggong Abdul Rahman.¹⁰ The island gained both political and economic importance in the following decades, largely due to the British free port policy.¹¹

Map 2. Johor-Riau sultanates in the eighteenth and early nineteenth centuries.



The territory covering the approximate territory of present-day Singapore, Johor, the Riau Islands and part of mainland area of Pahang and Sumatra. Source: Pluvier, *Historical Atlas*.

⁹ Lim, *Johor*, 12.

¹⁰ ARFM (1949), 183.

¹¹ CSAR (1956), 315.

The rise of Western sovereignty (1824-c.1870)

The Anglo-Dutch Treaty (also called the Treaty of London) in 1824 was a bilateral agreement which determined future paths of regional political evolution. The earlier Johor-Riau Sultanate was split into two parts: Singapore and Johor under British protection to the north of the Malacca and Singapore Straits; and the Dutch controlled Riau-Lingga¹² to the south of Singapore, including the islands in the South China Sea and inland Indragiri on Sumatra, which also temporarily incorporated parts of the Sultanate of Siak.

According to the agreement, Singapore became fully and securely a British possession.¹³ In 1826, this new settlement was integrated with Penang and Malacca to form a new administrative unit, the Straits Settlements, under the administration of the Governor and Council of the Incorporated Settlements (India).¹⁴ Following the decline and eventual dissolution of the English East India Company (EIC) and intensified communication between Britain and its Asian colonies, the weakness of administration of the Indian Government became obvious. It was also at this juncture that the British government dropped its traditional policy of non-intervention and adopted a policy of protection and guidance in the indigenous Malay states. The plan of the government was to take direct control in administering Singapore. On 1 April 1867, the Straits Settlements area was transferred from control by the Indian Government to that of the Secretary of States for the Colonies (known as the Colonial Office). Singapore became a Crown Colony, playing a primary and leading part in the prosperity of the British colonies.¹⁵

However, there was still conflict among the Malay nobles in British-controlled Malaya. Both the British-appointed sultan and the temenggong claimed the vast territory of Johor, despite the fact that they were both seated in Singapore. Tension between them was not solved until 1855 when the British negotiated a treaty between Tunku Ali (son of Sultan Hussein) and Temenggong Daeng Ibrahim (son of Abdul Rahman). Regulated by the terms of the treaty, Ali received the title of sultan but transferred the sovereignty of Johor to Temenggong Daeng Ibrahim. Sultan Ali and his heirs possessed a small territory between the Muar and Kesang rivers.¹⁶ In 1866, Temenggong Daeng Ibrahim moved his government from Teluk Belanga in

¹² The former Johor-Riau Sultanate was then called Riau-Lingga Sultanate.

¹³ Abshire, *The History*, 45.

¹⁴ ARSS (1921), 5.

¹⁵ CSAR (1956), 317.

¹⁶ Lim, *Johor*, 13.

Singapore to Johor Bahru at the mouth of the Johor River. This marked the beginning of effective administration in Johor.¹⁷

On the Dutch side, the Riau-Lingga Sultanate was transformed into 'the Residency of Riau and its dependencies' according to the contracts concluded in 1784, 1818 and 1830 between the colonial government and local Malay rulers. The sultanate became a fief of the Netherlands Indies government. Nevertheless, the trilateral equilibrium between the sultan in Lingga, the Bugis viceroy in Penyengat and the Dutch Resident in Tanjung Pinang remained relatively stable. The Malay sultan, recognized as the nominal ruler (*bestuurder*), settled in Daik in Lingga and exerted his limited influence in the local court. As a puppet, he had nothing to do but to put his signature on the documents prepared by the judiciary to confirm the decision of the latter.¹⁸ Real power lay in the hands of the Dutch Resident and the Dutch-favoured Bugis viceroy. The latter possessed all commercial and effective political strength as a holder of military power. It was the Resident who ruled this region indirectly by making use of the dissension between the sultan and the Bugis viceroy.

From indirect to direct rule (ca.1870-1940s)

From the second half of the nineteenth century, European colonial rule in Southeast Asia entered a new stage of both intensive and extensive expansion. However, there were different processes of political transformation in the three states.

Singapore was firmly in the hands of Britain. As the capital of the Straits Settlements, it had already been under direct British rule since 1826. This efficient political system was led by a Governor aided by an Executive Council and a Legislative Council. The Governor and the members of the two councils were all constituted and appointed by a Commission. The Executive Council consisted of the Governor as President; the General Officer Commanding the Troops, Malaya; the Colonial Secretary; the Resident Councillor, Penang; the Attorney-General; the Financial Secretary; and the Resident Councillor of Malacca.¹⁹ This political administration remained stable and effective until the outbreak of the Pacific War.

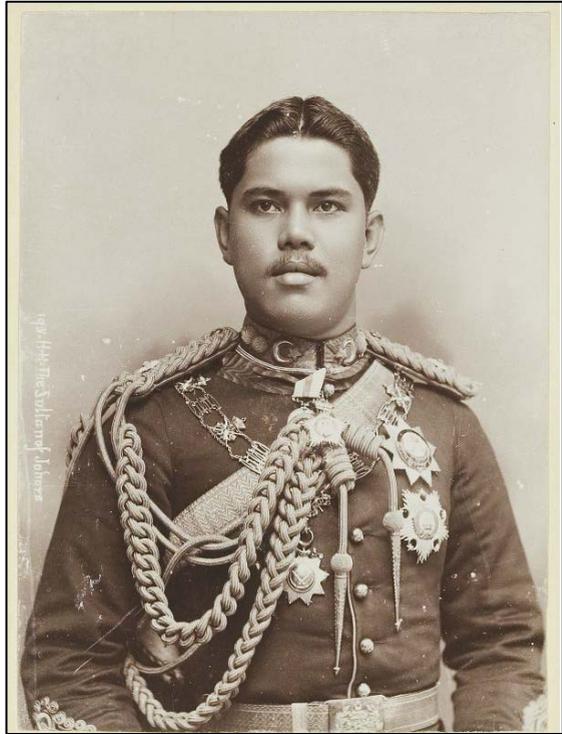
¹⁷ ARFM (1949), 182.

¹⁸ MvO: Riouw en onderhorigheden (1908).

¹⁹ ARSS (1937), 216-7.

The intention of more efficient colonial administration was also extended to adjacent Johor, when the British government realised that a more progressive and realistic policy was necessary.²⁰ The aim of the policy was to promote free trade and communication between the Straits Settlements and Johor as facilitated by the agreement of 1885 by which the temenggong of Johor attained the title of sultan, and which contained a clause requiring him to accept a British advisor.²¹ The Colonial Office was persuaded to impose more formal control over Johor in order to improve the state's administration.²²

Nevertheless, the process of British interference in Johor was slow and mild. The supply of coinage, defence of the territory, administrative affairs and foreign relations were all handled by the British colonial government.²³ In 1895, Sultan Ibrahim, son of Abu Bakar, undertook to receive a British advisor with the function of a Consular Officer.²⁴ In 1910, the clause of the 1885 treaty was invoked and D. G.



Sultan Ibrahim of Johor.

Source: KITLV/3816.

Campbell was appointed as the first General Advisor with undefined powers,²⁵ although the sultan had an unofficial advisor for some years. Sultan Ibrahim ultimately reorganized his government with the assistance of the Straits Settlements.²⁶

²⁰ ARFM (1949), 186.

²¹ Lim, *Johor*, 93.

²² Turnbull, 'British Colonialism and the Making of the Modern Johor Monarchy'.

²³ CO882/4/22: Straits Settlements: agreement with sultan of Johore regarding relations between HM government of the Straits Settlements and the government of Johore.

²⁴ ARFM (1949), 187.

²⁵ Lim, *Johor*, 93.

²⁶ JAR (1910), 3.

A new agreement was concluded in 1914, giving the General Advisor additional powers similar to those of British Residents in other states.²⁷ Johor was finally drawn into the British system of colonial rule.²⁸ Compared to the FMS under direct British colonial administration, the political regime in Johor was rather a form of indirect rule, although British intervention was more intensive than in the nineteenth century. A series of treaties and provisions made in the early 1910s finally regulated the British-Johor relations as stated by the official government reports:²⁹

- (1) The Malay States agreed to accept British protection and to have no dealing with foreign powers except through Great Britain.
- (2) Great Britain guaranteed the States protection against attack by foreign powers.
- (3) The agreement provided for the appointment to the State of a British Officer whose advice must be taken and followed except in matters concerning the Malay religion and Malay custom.
- (4) Johor then also agreed to have European judges, and to appoint European official members on its Executive Council; Malay and European officers were to be treated on terms of equality. European officers were seconded to the State from the Malayan Civil Service and the joint departments of Straits Settlements and FMS.³⁰

Political development progressed differently in the Netherlands Indies, where a liberal policy was pursued accompanied by an expansion of Dutch political in the Outer Islands. The temporary stability in the Riau Islands was disturbed in 1883 when Sultan Sulaiman died without offspring. After a brief interregnum, the Dutch chose the elder son of Bugis Viceroy Yusuf to succeed him as Sultan 'Abdu'l-Rahman II Mu'azzam Shah. It meant that the direct male line of the Malay royal house became extinct. Unfortunately, the choice by the Dutch authorities did not meet with universal approval by the Malays, since this selection contravened the traditional *adat* of Bugis and Malays which called for a separation of powers and offices between the two ethnic groups. The deteriorating situation reached its climax in 1899 when the Bugis Viceroy Muhammad Yusuf died. His son, the sultan, refused to nominate a new Bugis king and took the position himself.³¹ He left Lingga, where previous sultans had lived, and settled on the Bugis island of Penyengat, which he made his official residence. This behaviour broke the oath of loyalty with the Bugis and again annoyed the Dutch.³² It resulted in the contract of 1905, according to which the

²⁷ ARFM (1949), 187.

²⁸ Lim, *Johor*, 93.

²⁹ ARFM (1949), 187.

³⁰ JAR (1932).

³¹ For more information, see KV (1898, 1899, 1900), Hoofdstuk C, Gewestelijk Bestuur.

³² Matheson, 'Strategies'.

position of viceroy was abolished. Troubled by a new war of succession, the Dutch government took over the administration on 3 February 1911. The sultan of Riau-Lingga fled to Singapore on 11 February, having no wish to live under Dutch colonial rule. On 9 January 1913, he was finally exiled and the whole region came under direct rule of the Dutch. The former sultan received a monthly allowance of 2,400 guilders to cover living costs. Nevertheless, the political administration was still firmly in the hand of the Dutch. Meanwhile, the sultan of Johor and the sultan of Indragiri were still flying their own flags, expressing their Malay dignity!

In conformity with the bureaucratic system of colonial administration in the Netherlands Indies, Riau Residency was ruled through a bureau headed by the Resident. The central bureau was established in Tanjung Pinang, and dealt with daily affairs of the whole residency, while regional administration was implemented in several divisions (*afdeeling*) and subdivisions (*onderafdeeling*) for more effective rule. Reflecting the dualism of indigenous administration (*Binnenlandsch Bestuur* or *Gewestelijk Bestuur*), these divisions or subdivisions were either administered by a Dutch colonial official directly, or by Malay leaders under the supervision of the Dutch at various levels such as Assistant Resident, Controller (*Controleur*) etc.³³ In the local court, administrative and judicial affairs were handled by a council of Judiciary (*Mohakamah*³⁴), the members of which were all Bugis who represented the Dutch. But later on, they gradually lost their limited power and only kept their old position as a court (*rechtbank*).³⁵ Outside the court, *Amirs*³⁶ were established in different places throughout the sultanate, possessing certain autonomy beyond the sultan, whose position was strengthened by the renewed contract of 1905, just a few years before the sultanate was abolished.³⁷

³³ Before 1911, there were two self-governing indigenous states: the Riau-Lingga Sultanate and the Indragiri Sultanate; the latter was a dependency of the former. After the abolishment of the Riau-Lingga Sultanate, the Indragiri Sultanate continued to exist into post-colonial period). See RAN (1870); Cribb and Kahin, *Historical Dictionary of Indonesia*.

³⁴ *Mohakamah*, court dealing with all political and judicial affairs.

³⁵ MvO: Riouw en onderhorigheden (1908).

³⁶ *Amirs, wakils* of the sultan, a title of rank as for instance in Perak.

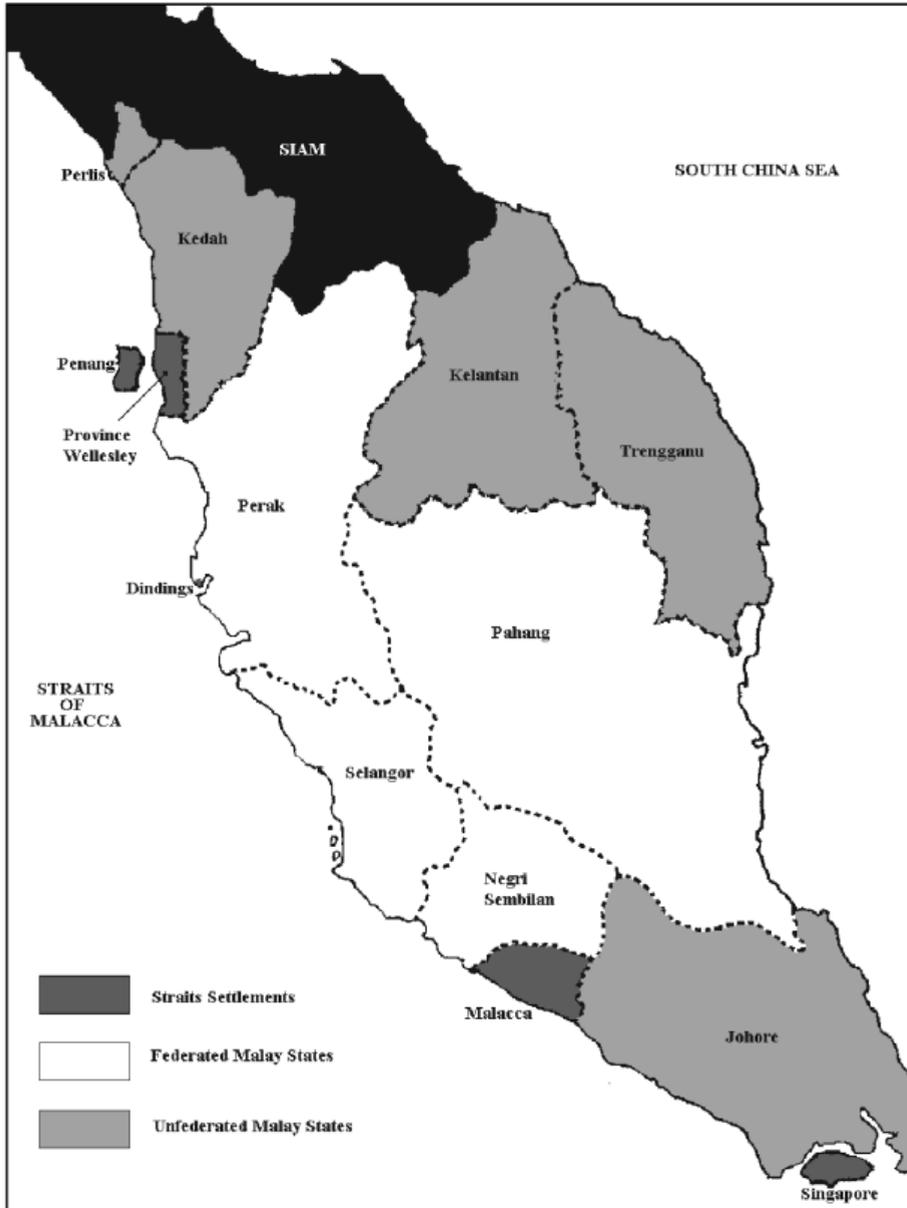
³⁷ MvO: Riouw en onderhorigheden (1908).

Map 3. Riau Islands and Indragiri in the nineteenth and twentieth centuries.



On mainland Sumatra, the vast region of Mandah and Reteh between the Kampar River and the Tungkal River was ruled by the Sultanate of Indragiri, which existed as a dependency of the Riau-Lingga Sultanate but was declared to be under Dutch suzerainty in the 1838 contract with the Dutch. The renewed 1843 contract provided the Dutch with more power over domestic affairs. From then onwards, the succession of the throne had to meet with the approval of the Dutch and the sultan of Riau-Lingga. The final decision was stated on the Government Decision (*Gouvernement Besluit*). Another kingdom, the Sultanate of Siak, confined to the valley of the Siak River, north of Indragiri, was also part of the Riau Residency before 1873 when the Residency of East coast of Sumatra (*Residentie Oostkust van Sumatra*) was formed. Source: MvO: Riouw en onderhorigheden (1908); RAN (1870, 1942). Map: Leiden University Library/Colonial Collection (KIT) Maps/ KK 054-01-01.

Map 4. Malay Peninsula in 1925.



Regarding political changes of the three regions in this period, it is necessary to give a snapshot of their communities and regional differences. This especially concerns the administration of the Chinese. In the colonial era, they brought with them distinctive forms of social organization, which continued to characterize their life in Nanyang, the lands of Southeast Asia bordering the South China Sea. They gradually attained a high economic status as early as at the time of the foundation of Singapore. Attributed to their growing number and importance, both British and Dutch colonial governments adopted various measures for an efficient administration of the Chinese population. In British Malaya, the Chinese were incorporated in a system of self-organization under various names, such as *kongsi*, *hui*, or secret society, which were all known as the variety of Triad (The Heaven and Earth Society).³⁸

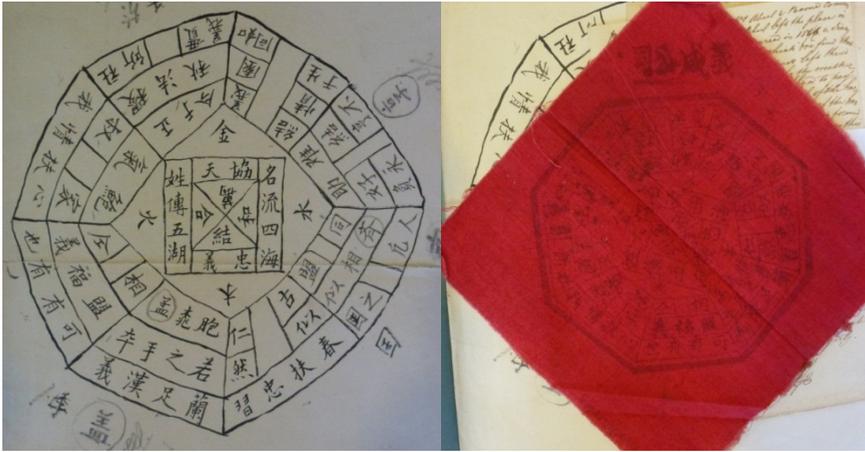


Sultan Sulaiman of Riau-Lingga (1857-1883)
Source: KITLV/30493.



**Sultan Abdul Rahman II of Riau-Lingga
(1883-1911)**
Source: KITLV/6200.

³⁸ Thorough studies about the Chinese *kongsi* in Southeast Asia have been conducted by Carl A. Trocki. Here we give a supplementary description about them in the Riau Islands in the second half of nineteenth century, based on the collective documents by M. Schaalje, a Dutch official in the Riau Islands at the time. These documents are kept in the Special Collection of Leiden University Library.



A diploma of Yicheng Kongsu registered in Singapore. It could also be written on a red piece of cotton cloth. Collected by M. Schaalje in the Riau Islands.

Source: BPL 2106.II.12.E3, E5.

These *kongsu* had their origins in China, where they appeared in times of hardship and weak administrative control when discontented men from the lowest strata of society were drawn together by a combination of mutual need and rebellious resentment of authority.³⁹ *Kongsu*, in its various manifestations, formed the principal means of social solidarity among the Chinese. In addition, it also performed a key role in the recruitment of overseas Chinese to the community, the absorption of newcomers, the maintenance of discipline, and the organization of new economic enterprise.⁴⁰ Large societies registered in Singapore included Ngee Heng, Yi Fu, Fuxing, Songbai, Guangzhao, Cunxin. Among them, the Ngee Heng *Kongsu* was largest Chinese community, particularly of Teochew Chinese in Johor.

In 1877, the British set up a body in Singapore called the Chinese Protectorate, which was responsible for the welfare of the ethnic Chinese.⁴¹ It indicated direct British control of the Chinese in the colony. The establishment of the Chinese Protectorate triggered the decline of Chinese secret societies in Singapore and Johor. In 1890, the British colonial government enacted a Dangerous Societies Suppression Ordinance to put an end to these secret societies. These *kongsu* or secret societies began to be dissolved by the government in the 1910s. Ngee Heng *Kongsu* came to an end without any trouble in 1916. By then, there were only two secret societies left in

³⁹ Lim, 'Continuity and Connectedness: The Ngee Heng Kongsu of Johore, 1844-1916', 302.

⁴⁰ Chandler and Steinberg, *In Search*, 171.

⁴¹ ARSS (1877).

Johor.⁴² After suppression, the Chinese Association of Johor Bahru, which was a modern-style organisation, was formed. It played a similar role as the secret society for Chinese communities afterwards. The same process also took place in Singapore, as the boundary between Singapore and Johor during that time was very weak. After the ban of secret societies, the Chinese community there continued in the form of the Singapore Chinese Chamber of Commerce which was established in 1906. These new Chinese organizations were well operated up to the post-war period, but lost both their economic and political importance which they obtained during the pre-1920 period.

Such a pattern of autonomy still existed in the Riau Islands and was organized in a more systematic way, known as the Chinese *kapitan* (*kapitein*, capitan) system. Although *de Ambtenaar voor Chineesche zaken* (The Official for Chinese Affairs) was established in the residency and became the interface between the Chinese community and the Dutch, the Chinese here, mostly originating from Guangdong and Fujian, were still headed by a *kapitan*, who were usually rich merchants with good reputation appointed by the Dutch. The *kapitan* had his seat in Tanjung Pinang on Bintan Island (before 1904 there was also a *kapitan* settled in Lingga)⁴³. In divisions or subdivisions, several assistants of the *kapitan* were appointed as lieutenant and secretary. Through this system, the Chinese possessed certain autonomy and both the Malays and the Dutch managed to guarantee peace and reap economic benefits from this system. There was an official election and resignation of new *kapitans*, but like the *kapitan* system in other regions, the position was passed down within local distinguished families who possessed political and economic authority.⁴⁴ Meanwhile, the position of lieutenant was in the hands of the Tan clan. Tan Ah Cho, a Teochew, came to the Riau Islands (Senggarang) in the later nineteenth century. Gradually he started his own gambir cultivation and became prominent, both economically and socially. He and one of his sons were successively appointed as lieutenant during the Dutch period.⁴⁵ By virtue of obtaining the leading position, *kapitan* in the Chinese community, these Chinese capitalists also obtained the right of to farm opium, and collect tax revenues. The high-ranking officials in this

⁴² JAR (1916), 7.

⁴³ The seat of the *kapitan* was in Tanjung Buton. *Gouv. Bt. 21 Oct. 1904 no. 17 (Ind. St. no. 414)* decided that the Chinese administration in this region would be led by a lieutenant instead of a *kapitan*. See KV (1905), 135.

⁴⁴ In the Riau Residency, most of the *kapitans* and lieutenants came from the families of Oei and Tan. The first *kapitan* with a recorded name was Tan Hoo (*Kapitan Tua*). Other early *katipans* included Tan Yuanjiao and Tan Hengjing in Senggarang in the early nineteenth century. Tan Jincheng was appointed as *kapitan* by the Dutch colonial government in the middle nineteenth century. See RAN (1870), Ng, *The Chinese in Riau: A Community on an Unstable and Restrictive Frontier*, 17-31.

⁴⁵ *Ibid.*, 55.

system of indirect control – the Chinese council were without exception the leaders of *kongsis* in the Riau Islands and vice versa.⁴⁶

All sorts of evidence show that the organization of *kongsi* in the Riau Islands had frequent contacts and various relations with those in British Malaya, as all the above-mentioned secret societies established their branches and had members both in the British and Dutch colonies. Following the decline of the societies in British Malay, similar organizations were also established in the Riau Islands, such as Chung-hua tsung-hui (Chinese General Association), indicating the continuation of the relationships with Singapore and Johor.

Concerning the government's economic policies in the SIJORI area, in the colonial period, the general condition in this area was one of intensified colonial expansion and intervention. Nevertheless, the general economic policy was explained as a kind of 'liberal policy', although from the late 1920s, a gradual protectionism became apparent represented by the introduction of 'restriction schemes' of rubber and tin. The 'free' attitude of the colonial governments in both British Malaya and colonial Indonesia towards economic growth was expressed in the belief 'that free trade, accompanied by government provision of essential services, would in some undefined way increase the wealth of the business in the colony and its government revenue.'⁴⁷ Such protectionism was somewhat weaker in British Malaya than in the Netherlands Indies. The British colonial government was opposed to all monopolies. As a result, the mobility of migrants was stimulated by the development of the plantation economy and mining, especially in Singapore and Johor. The subsequent high mobility of population resulted in a strong connectedness both between the three areas and with the outside world.

In all, the Western colonial expansion in this area showed more similarities than differences in the transformation from indirect rule to direct rule, while the different measures taken by the British and Dutch reflected the institutional boundaries between Singapore, Johor and the Riau Islands as imposed by the colonial rule.

War and independence (1940s-1970s)

The gradually achieved stability was brought to an abrupt halt when the Imperial Japanese 25th Army, which had previously operated in China, invaded Thailand and North Malaya on 8 December 1941, opting to approach Singapore overland through the Malay Peninsula.⁴⁸ With this 'back door' approach, supported by air and naval superiority, Japanese troops advanced rapidly to the south. By the end of January

⁴⁶ Lim, 'Continuity', 305.

⁴⁷ Courtenay, *A Geography*, 132.

⁴⁸ Kratoska, *The Japanese Occupation of Malaya: A Social and Economic History*, 36.

1942, Japanese forces moving down the east and west coasts had arrived in Johor, and on 8 February, they launched an assault on Singapore, which surrendered on 15 February.⁴⁹ The Netherlands had declared war on Japan on 8 December 1941, the same day the Japanese armed forces launched the attack on British Malaya. Without serious resistance, the Dutch surrendered on 8 March 1942. The Riau Islands with mainland Sumatra fell to the Japanese.⁵⁰

Following the capture of Malaya, Singapore and Sumatra, the Japanese 25th Army served primarily as a garrison force for the occupied territories. The whole area of Singapore – renamed *Syonan-to* – was governed through a Military Administration Inspection Bureau of the army.⁵¹ The territory under 25th Army's rule, where the SIJORI area was included, was described as 'the nuclear zone of the Empire's plans for the Southern Area' because of its strategic importance as well as its economic value as a source of oil, rubber, and tin.⁵² In April 1943, the 25th Army relinquished responsibility for Malaya, focusing its particular attention on Sumatra, and a new 29th Army was established in Taiping in northern Perak in January 1944 to handle military activity between the Kra Isthmus and the Riau Archipelago, and to run the Malayan military administration. Later, on 13 April 1944, the 29th Army was placed under a newly created 7th Area Army which assumed responsibility for the defence of Singapore and Johor, defined as the Singapore Perimeter Zone.⁵³ The 25th Army left Malaya in 1943, but its headquarters remained in Singapore until the middle of 1945 when it was transferred to Bukit Tinggi in the highlands of West Sumatra, where it stayed until the surrender of Japan in August 1945.

⁴⁹ *Ibid.*, 36-41.

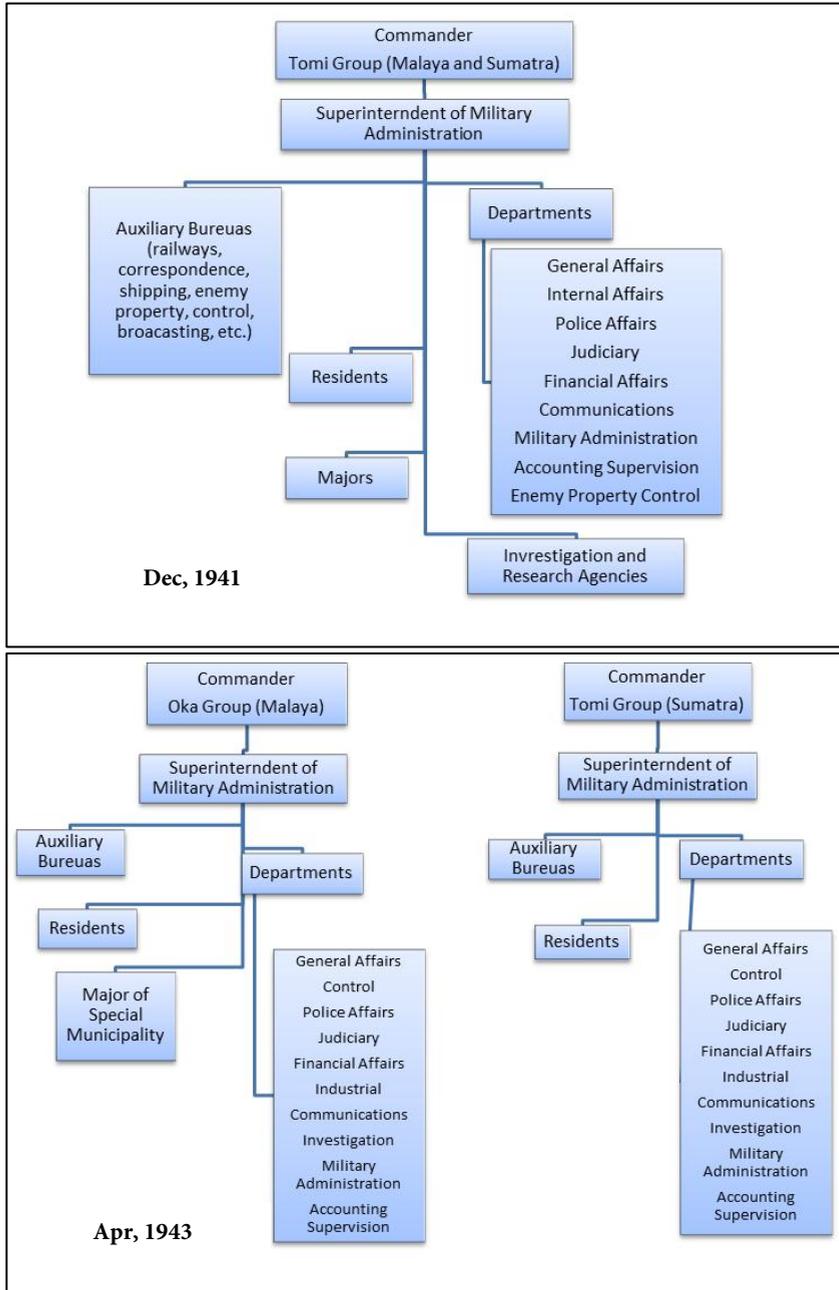
⁵⁰ The Riau-Japanese relationship was formed even before the war. For example, one sultan and his followers in Riau sought Japanese assistance to carry out an anti-Dutch resistance movement which failed owing to lack of popular support. See: Goto and Kratoska, *Tensions of Empire: Japan and Southeast Asia in the Colonial and Postcolonial World*, 108. Considering the fact that the Riau-Lingga Sultanate was abolished in the early twentieth century, the sultan here probably refers to the sultan of Indragiri.

⁵¹ Kratoska, *The Japanese Occupation*, 54.

⁵² Reid, 'The Birth of the Republic in Sumatra'.

⁵³ Kratoska, *The Japanese Occupation*, 54.

Chart 2. Structure of the Japanese military administration in army-occupied areas in Southeast Asia, in December 1941 and April 1943.



Source: Benda, Irikura and Kishi, *Japanese Military Administration*, 53, 57.

Although the Japanese policy aimed at annexing Malaya and Sumatra, different strategies were adopted concerning regional conditions (Chart 2). In Malaya, the civil administration remained in the hands of the pre-war bureaucracy throughout the occupation, with the Japanese military administration exercising overall control and Japanese filling senior positions. Beyond the formal administrative structure, communal organizations, neighbourhood associations and paramilitary groups helped control the population.⁵⁴ Singapore became the Syonan Special Municipality under a Japanese mayor. The pre-war distinction between municipal and rural board areas was eliminated. In the Riau Islands, where an efficient bureaucratic body did not exist, law and order was maintained by the Residents sent from the 25th Army.⁵⁵ A major effect of the Japanese occupation of Sumatra was to end all organizational activities there.⁵⁶ The circumstances of administration in both Malaya and the Riau Islands favoured the military, and civilian officials found it difficult to assert their authority.⁵⁷

The British historian David Gilmour uses the term 'moral deterioration' to describe the Japanese occupation during the Pacific War, represented by 'a decline in respect for law and duly constituted authority, a loss of traditional values, and an overriding selfishness.'⁵⁸ During this period, the great majority of government servants were either interned or suffered the rigours of occupation. Nevertheless, it is worth mentioning that within the concept of the Japanese 'Greater East Asia Co-Prosperity Sphere', these three regions were under a unified Japanese military and political administration in order to take their advantage of regional strategic location and rich natural resources, which would serve both economic and military aims. Therefore, it ironically became the nearest prototype to SIJORI decades later!

On 5 September 1945, Lord Louis Mountbatten bloodlessly recovered Singapore. The Riau Islands remained under the British Military Administration, but civil government was resumed on 1 April 1946. Singapore was no longer part of the Straits Settlements, but became a British Crown Colony.⁵⁹ Singapore then began its search for independence, prompted by the nationalist movement. It achieved self-government within the Commonwealth in 1959. In 1963, Singapore declared independence from the UK and joined with Malaya, Sabah and Sarawak to form the new Federation of Malaysia, from which Singapore departed in 1965, gaining independence as the Republic of Singapore, but still in the Commonwealth. Singapore became a sovereign nation-state with the People's Action Party (PAP)

⁵⁴ *Ibid.*, 55.

⁵⁵ Sluimers, 'The Japanese Military and Indonesian Independence'.

⁵⁶ Reid, 'The Birth'.

⁵⁷ Kratoska, *The Japanese Occupation*, 58.

⁵⁸ *Ibid.*, 348.

⁵⁹ CSAR (1956), 318.

firmly in charge to establish tight state control.⁶⁰ Politically, this aroused the will of the government to achieve self-consciousness, self-discipline and self-development.⁶¹

Map 5. Japanese operation plan during the Pacific War.



Source: Rottman, *Japanese Army*, 16.

⁶⁰ Turnbull, *A History*, 11-2.

⁶¹ CSAR (1960), 1.

In British Malaya, after the unconditional surrender of the Japanese, Johor, together with other states, experienced political and military upheaval for decades. Various provisional governments were organised in the peninsula and Johor was incorporated. In September 1945, a military administration was established under the command of the Supreme Allied Commander Southeast Asia. This administration remained unchanged until the establishment of the transitional Civil Government of the Malayan Union on 1 April 1946. The Federation of Malaya, which succeeded the Malayan Union, came into being on 1 February 1948 on the conclusion of the Federation of Malaya Agreement of 1948 between Britain and the rulers of the Malay States.⁶² The Federation gained independence in 1957. Johor has remained as one of the states of the federation ever since then.

To the south of Malaya, in the closing months of the war, the Riau Islands, which was under the administration of Sumatra at that time, experienced a different process compared to Java. A Republican government was established in Sumatra in mid-1945 but characterized by more autonomous revolutions.⁶³ After four years of fighting against the Dutch after the Japanese surrender and Sukarno's declaration of Indonesian Independence in August 1945, sovereignty was transferred to Indonesia in December 1949. The Riau Islands were incorporated into the Republic of Indonesia in 1950 as part of the province of Central Sumatra. In the meantime, the process of economic and political decolonization started in the Riau Islands just as in other regions in the country as a result of the emerging concept of *Indonesianisasi* (Indonesianization), which figured in the public discourse about how to establish a nation state and achieve economic nationalism.⁶⁴ However, this process was complicated by the anti-government and self-autonomy movement, particularly in Sumatra. It was not completed until the late 1950s when Dutch corporate assets were seized and eventually nationalized.⁶⁵ In 1958, Central Sumatra was divided into the provinces of West Sumatra, Jambi, and Riau. Riau was thus a separate province consisting of both mainland and island areas. The provincial capital was at Tanjung Pinang, on Bintan Islands, and in 1962 it moved to Pekanbaru on Sumatra itself.⁶⁶ Those island territories of the Riau Province were separated administratively from the mainland Riau in 2004 to form the Riau Islands Province, partly attributed to the internal conflict between the Golkar Party (Party of the Functional Groups) and the PDI-P (Democratic Party of Struggle).

In accordance with political separation from Malaysia, there were also differences between the three regions in terms of the economic policies. Singapore

⁶² ARFM (1949), 189.

⁶³ Reid, 'The Birth'.

⁶⁴ Lindblad, *Bridges to New Business: The Economic Decolonization of Indonesia*.

⁶⁵ Lindblad, 'The Economic Decolonization of Sumatra'.

⁶⁶ Esmara, 'An Economic Survey of Riau'.

started the process of the early stage of industrialisation, concentrating on mopping up unemployment in labour-intensive industries and on import substitution – catering to the potential Malaysian common market by a continuation of liberal policies and an amicable attitude towards foreign capital.⁶⁷ By contrast, more intensive government guidance and intervention were shown in both Johor and the Riau Islands by the implementation of economic planning and various government policies which gave particular preference to the Malays.

2. Demographic features

The multi-ethnic character of political development requires a survey of the demographic features of the ethnic groups who played different roles in both the colonial and independent periods. The reconstruction of a demographic history of the three regions during such a long period is a difficult task, due to the lack of reliable statistical sources, particularly concerning the nineteenth century. This section gives a sketch of regional demographic features based on both retrievable primary data and secondary information.

Singapore

Early records of the population of Singapore are scarce. Here we quote four figures for the total population in Singapore to show a rough demographic picture before the 1870s: 11,000 in 1824, 16,634 in 1827, 35,389 in 1840 and 81,734 in 1860.⁶⁸ These figures indicate an extremely high growth rate (more than 4% per annum) which can only be explained by a high immigration rate. The free port policy of Singapore attracted not only a large influx of trade, but also a growing number of immigrants – Bugis and Indians, and Chinese in particular. An increased population in this initial stage was dominated by Chinese immigrants who accounted for around 70 per cent of the total population in 1867. They came mainly from two different places. The first was the nearby Riau Islands, from where quite a number of Chinese were attracted to Singapore for gambir and pepper plantation work, and also for private trade as the followers of the temenggong who had moved to Singapore after the Anglo-Dutch Treaty, or alternatively due to rivalries and conflicts between different Chinese dialect groups in the Riau Islands. Another place of origin was mainland China, especially the southeast. Chinese immigration to Singapore reached a peak after the Taiping Rebellion of 1848-1865 which reflected and exacerbated the worsening conditions of the growing peasant population in China and caused large-scale migration to

⁶⁷ Turnbull, *A History*, 307.

⁶⁸ Tremewan, *The Political Economy of Social Control in Singapore*, 7. Abshire, *The History*, 45-6.

Southeast Asia. As a result of this flight of people, Singapore became the centre of the distribution of labour in the British and Dutch territories.⁶⁹

Singapore's population since 1871 is well recorded by official government reports, and also as estimated by scholars. It has to be admitted, though, that only the figures for 1881, 1891 and 1931 are from official censuses. Other estimates are higher. These statistics show an overall growth rate of around 2.8% per annum during the researched period. This was in conformity with the booming economy of Singapore. The only exception was, during the Pacific War period, which saw a sudden increase (more than 50%) between 1937 and 1947, possibly because Singapore during the war offered a relatively stable and safe environment that attracted a large number of people from other places suffering from chaos. Nevertheless, we can draw a rough conclusion that the higher growth rate of Singapore in the colonial period was mainly attributed to the influx of immigrants, whereas natural growth was only achieved after independence as a result of increasing fertility (Table 2.1).

Table 2. 1. Estimated overall population growth rates of Singapore, pre-1870 to 1970. (average percentage rate)

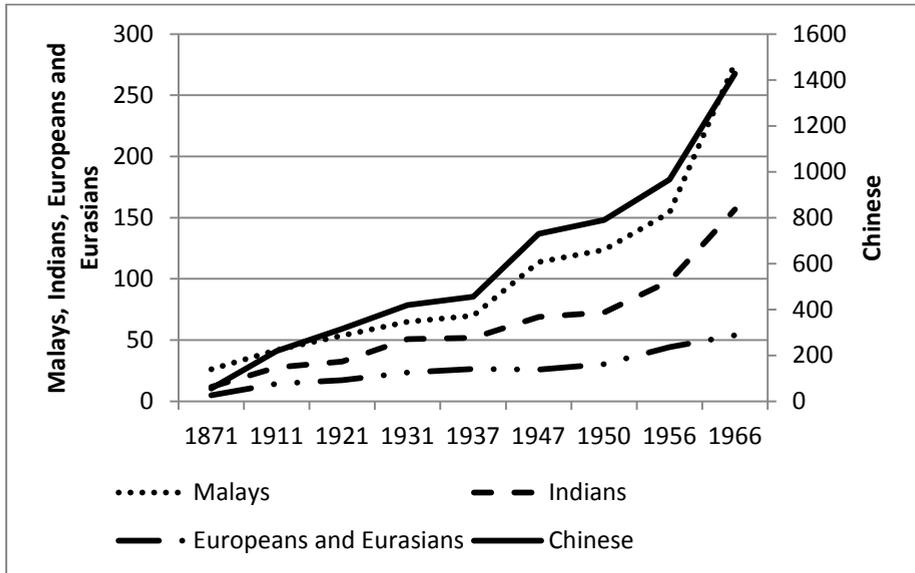
Pre-1870	1870-1910	1910-1940s	c.1945	1947-1970
4	2.9	3.5	> 4	2.4

Source: Appendix i.

For a good understanding of the composition of the population, it is necessary to look further at the different ethnic groups (Figure 2.1). The Chinese had clearly a dominating share in the total population; more than 70 per cent throughout the period. The share of the Europeans, although possessing more political power than the Chinese, particularly during the colonial period, declined steadily from around five per cent in 1871 to just above three per cent at the end of this period due to slower growth in the post-war period than other ethnic groups, especially the Malays, the second largest ethnic group and the one growing the fastest from the 1950s. This trend reveals the rise of Singaporean national identity and political consciousness, particularly while part of the Federation of Malaya.

⁶⁹ CSAR (1960), 17-18.

Figure 2. 1. Composition of the population in Singapore, 1871-1966.
(thous.)



Source: Appendix i.

Johor

Johor, a state covered by dreary forest without human habitation or apparently the marks that there ever had existed any, remained sparsely inhabited until the 1840s.⁷⁰ Political instability in the early nineteenth century further gave Johor a deserted character: in 1847 the capital⁷¹ consisted merely of 25 huts.⁷² But then, some 4,000 Chinese arrived from Singapore for gambir and pepper cultivation. They were the pioneers encouraged by the temenggong of Johor. Since that time, a large number of Chinese labourers have been brought into the plantations. This massive inflow of Chinese, together with Malays and Indians, contributed to a rapid increase in population. They settled on the coast and in the vicinity of rivers where agricultural cultivation was possible. In the absence of roads and bridges, the rest of the state remained largely unoccupied except for some aborigines and other wild tribes.⁷³ The *Sakai* and *Jakun* (described as Proto-Malay) were reported to be found in the central districts of North Johor.⁷⁴ These aboriginal people were poor in material culture and

⁷⁰ Trocki, *Prince of Pirates*, 75.

⁷¹ Referring to the former capital, Johor Lama near Kota Tinggi.

⁷² JAR (1930).

⁷³ *Ibid.* (1910).

⁷⁴ Kirby, 'Johore in 1926', 253.

appeared to have originated in the Riau Archipelago. Another group, the former boat-dwelling *Orang Laut* (sea people) had settled in fishing villages, notably along the west coast of Johor.⁷⁵

Lacking systematic statistics, the real figures of population in the nineteenth century rely very much on estimates which differ from source to source. Nevertheless, fragmentary pieces of information demonstrate a rapid increase of the Chinese population, gradually outnumbering the Malays in Johor.⁷⁶ Even the estimates of 50,000 and 140,000 for Malays and Chinese in 1890 given by Guinness seem far from reality,⁷⁷ considering that the Chinese population was recorded as 63,405 in 1911⁷⁸. There is no other evidence to rely on. Since population growth in Johor in this period shared a similar pattern with Singapore, the lesser economic importance of Johor resulted in a slower population growth rate in Johor, lower than 2.9%.

From 1911 onwards, a relatively complete picture can be obtained from various official records. The Chinese and Malays were dominant in the total population and there was a continued rapid expansion which could be attributed to the prosperity of the plantation economy and the exploitation of mineral sources, resulting in the influx of a large amount of labour forces. In the post-war period, the population growth rate of Chinese and Indians slowed down, whereas the Malay population had a high growth rate, exceeding the Chinese one and becoming the largest ethnic group in Johor (Figure 2.2). The record of the European population is also available from 1911, when a number of 205 Europeans was recorded. The figure rose to 782 in 1932 and further to 1,080 in 1938 as a result of the enforcement of British political interference in the court of Johor. Based on the available information, the estimates of population growth in Johor in this long period are shown in Table 2.2.

Table 2. 2. Estimated overall population growth rates of Johor, 1870-1970. (average percentage rate)

1870-1910	1910-1940s	c.1945	1947-1970
< 2.9	4.5	c. 1.5	2.5

Source: Appendix ii.

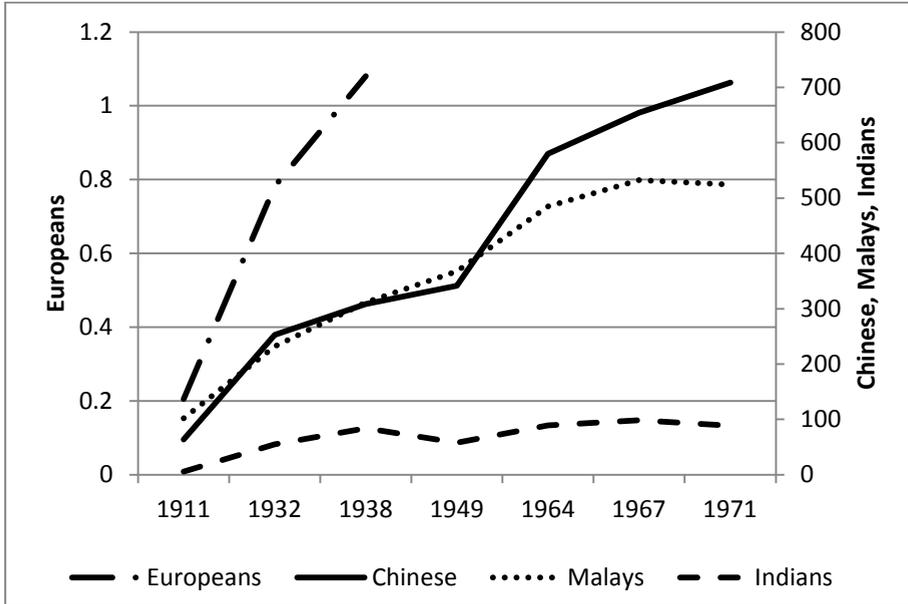
⁷⁵ ARFM (1949), 179.

⁷⁶ *Ibid.*, 1.

⁷⁷ Guinness, *On the Margin*.

⁷⁸ JAR (1911).

Figure 2. 2. Composition of the population in Johor, 1911-1971.
(thous.)



Source: Appendix ii.

Table 2. 3. Birth and death rates, and infant mortality rates in Johor, 1930-1938.
(per 1000)

Year	Birth rate	Death rate	Infant mortality rate
1930	35.84	24.89	186
1932	40.61	21.00	140
1934	43.42	27.14	228
1936	40.87	20.01	181
1938	42.54	19.72	170

Source: JAR (1938).

Like Singapore, Johor in the colonial era was also characterized by a high mobility of people crossing borders. In 1919, 23,549 passengers arrived and 22,588 passengers left the port of Muar, carried primarily by steamers in daily service between Singapore and Johor. Equivalent figures for Batu Pahat in the same year were 15,987 and 17,163; those for Endau were 4,658 and 4,356. The total was 44,194 passengers arriving and 44,107 passengers leaving the state, and these figures did not

include passengers arriving in Johor Bahru by railway.⁷⁹ The movement of these people indicated a frequent communication between Johor and other places, Singapore in particular on the one hand, and suggested a possible large proportion of immigrants in the total population. In 1932, there were 35,303 immigrants, suggesting a share of seven per cent in the total population.⁸⁰ If migration explained the rapid growth of population in Johor in the beginning, improvement in fertility accounted for the continuous growth later on as indicated by the increasing birth rates and declining death rates (Table 2.3). Although there were no exact clues to explain the post-war situation, it has been generally agreed that immigrants made a declining contribution to population growth. If these cross-border immigrants are conceived as an indication of the connection between Johor and Singapore, then, a declining trend is clear. The connection was strong in the colonial period and weak in the post-war period.

The Riau Islands

Compared to Singapore and Johor, the reconstruction of population in Riau is even more difficult. Although various documents present all sorts of estimation, even the official census and surveys are by no means reliable. This difficulty lies in the untraceable population in the inland areas and the ever changeable territories of Riau as an administrative unit, which resulted in the change of statistical units and sudden fluctuations in the population. Therefore, the estimation of population reflects the improvement in the registration of population rather than real growth rates in the entire Riau. Retrievable quantitative information of the population size is presented by Table 2.4.

It is difficult to ascertain the reliability of these estimated numbers, especially concerning the indigenous Malay population, which is distributed widely within the border of Riau. By contrast, recording Chinese and European populations was relatively better because the distribution of these groups was so converged that the registration was easier: the majority of Chinese settled in Senggarang and Tanjung Pinang on Bintan, Penyengat, and Daik, and the Europeans in Tanjung Pinang. The demographic development of these two groups showed a similar trend with Java, although there was still a large deviation between the real numbers of growth rate per annum.

⁷⁹ Ibid. (1920).

⁸⁰ Ibid. (1932).

Table 2. 4. Average annual growth rates of population in Riau Residency, 1880-1942. (average percentage rate)

Ethnic group	Region	Source	1880-1889	1890-1900	1900-1912	1912-1921	1921-1928	1928-1942
Overall	Java	CEI	1.6	1.9	0.9	0.9	1.0	1.5
	Outer Islands	Lindblad	-	-	-	-	1.1	-
		CEI	-	-	-	-	0.95	-
	Sumatra	CEI	-	-	-	-	0.7	-
		Lindblad	-	-	-	0.4	0.4	0.4
	Riau	CEI	-	-	-	-	0.4	-
		Gooszen	0-0.5		1.0-2.0		2.0-3.0	
M	Riau	CEI	-	-	8.3	1.6	0.4-2.6	-
		Lindblad	-	-	-	0.36	0.36	0.36
C	Riau	CEI	2.6	-0.01	1.3-2.5		5.5	-
E	Riau	CEI	0-1.4	4.7	2.7		2.4	-

Note: M: Malays; C: Chinese; E: Europeans

Sources: CEI, vol. 11, 36; Lindblad, *New Challenges*, 245, 251-2; Gooszen, *A Demographic History*, 33, 87-8, 115, 221-3.

Anthony Reid assumes a very slow, long-term population growth (zero to 0.5% per year) for Southeast Asia in the pre-colonial period. And this estimate has been accepted by Hans Gooszen to apply to Central Sumatra in which the Riau Residency was included for the 1880s and 1890s.⁸¹ In the early twentieth century, encouraged by the strengthened colonial presence and the expansion of smallholder rubber plantations, more migrants were attracted to this region. Pierre van der Eng has quoted De Meel's estimate of annual growth rate in Riau: c. 5% for the period between 1930 and 1942, which Van der Eng himself has thought too high.⁸² Gooszen has estimated a growth rate per annum between 0.5% and 1.5% from 1900 to 1920 and a higher one, from 2% to 3%, between 1920 and 1930.⁸³ Although he has emphasized the Banjarese immigrants from southeast Borneo and Buginese from southern Celebes to Riau from the seventeenth century onwards,⁸⁴ the main attention has been paid to the mainland Riau (the Indragiri area) and there was little description of the Chinese population and Chinese migrants in this area. In fact, the Riau Islands area was one of the major Chinese settlements in Indonesia, and as early as 1870, some 17,756 Chinese were recorded as living there, occupying more than 50 per cent of the grand total. From this point of view, the estimated population and

⁸¹ Gooszen, *A Demographic History of the Indonesian Archipelago, 1880-1942*, 223.

⁸² Van der Eng, 'Bridging a Gap: A Reconstruction of Population Patterns in Indonesia, 1930-61'.

⁸³ Gooszen, *A Demographic History*, 224-5.

⁸⁴ *Ibid.*, 27, 33.

growth rates given by Gooszen seem underestimated. The low growth rate of the population has also been questioned by Boomgaard and Gooszen who give an estimated growth rate of 0.4% per year in Riau for the 1920s⁸⁵, one of the lowest in the Outer Islands. This figure is adopted by Thomas Lindblad, who pays more attention to the indigenous population in the twentieth century, based on an assumption of stable demographic development over time. He also admits that the Chinese population did not meet the criteria of this stable growth.⁸⁶ Therefore, here we would rather assume that the overall growth rate lay above his estimates, since well-documented data show a higher than 1% of Chinese population growth per year in the long period.

The reconstruction of demographic features, especially in the colonial period, depends on the quality of the statistical work, which was extremely hard to get in the Riau Islands, the periphery of the Netherlands Indies. Therefore, the real population growth should not be higher than that in Java, considering the general difference between socio-political and economic conditions, whereas the calculated growth rate is higher than supposed, mainly attributed to the deficiency of population registration and the high mobility of migrants. Before the 1910s, the still undeveloped plantation economy was unable to attract a large inflow of migrant labour. The high number of Malays resulted in a more or less same growth rate of Malays in the whole of Indonesia. Under these conditions, we have applied a growth rate of between 1-1.5% per annum for the population growth in Riau.

Entering the second period between the 1910s and 1940s, the development of a plantation economy resulted in a great demand for labour from outside areas. The immigrants/population ratio of Riau in 1930 is estimated at 0.16 by Gooszen, and this implies a higher growth rate and a net influx of more people than normal, as the out-migrants/population ratio of Riau in the same year is 0.017. And this number is little higher than that of Johor in the same period. A higher growth rate was without doubt achieved. However, still attributed to its limited economic importance, the population growth could not be much higher than that of Johor. Therefore, we prefer to accept the estimated growth rate of c. 1.5% annually applied by Lindblad to the population growth of the Outer Islands after 1921. Considering the undiscovered population, we have adjusted it to 1.5-2% (Table 2.5).

Post-war population growth in Riau is better documented, but only available for a total of all ethnic groups. The growth rate per annum in the 1960s and early 1970s is supposed to be between 2.2% and 3.0% (Appendix iii). This higher growth rate seemed to be due to the rising birth rate and declining death rates resulting from

⁸⁵ CEI, vol. 11, 45.

⁸⁶ Lindblad (ed.), *New Challenges in the Modern Economic History of Indonesia: Proceedings of the First Conference on Indonesia's Modern Economic History, Jakarta, October 1-4, 1991*, 245-52.

improved living standards and declining migration activities, but the real growth rate of population is supposed to be at the same level of the 1970s. This number also seems reasonable for the post-war population growth.

Table 2. 5. Estimated overall population growth rates in Riau Residency, 1870-1970. (average percentage rate)

1870-1910	1910-1940s	Ca.1945	1947-1970
1-1.5	1.5-2	-	2.2-3

Source: Appendix iii.

Our analysis shows that there was a rapid population growth in all the three regions between 1870 and 1970, especially in Singapore and Johor during the period of high colonialism. At the same time, regional difference was also clear. Singapore had the largest total population, followed by Johor and the Riau Islands. In terms of demographic structure, in Singapore, there were more Europeans and Chinese population due to its successful development as a free port, whereas in the Riau Islands, Malays had a dominant part.

3. Ethnic relationships

Political and demographic developments show a strong impact on the change of ethnic relationships, which directly reflects the rise and fall of regional economies and the economic connections between Singapore, Johor and the Riau Islands. The realization of capital investment by both European and Chinese ethnic groups was an ideal combination of political status and economic prominence possessed by the three parties: Europeans, Malay rulers and Chinese capitalists. The mutual relationship between them showed a dynamic pattern in the period being studied here.

In the early period of colonial expansion, by virtue of their political authority and the advantage of global business, the Europeans undoubtedly dominated capital investment through international companies. Internally, although Malay nobles were the nominal rulers of this region, for various reasons, they preferred to gain profits directly from land lease rather than invest by themselves. It was Chinese capital that focused on economic production not only in Singapore, but also in adjacent Johor and the Riau Islands. The predominant political status of Europeans and Malay rulers forced the Chinese to maintain good relationships with other ethnicities. A pattern of mutual benefit thus developed. European capitalists managed to dominate international shipping and regional industries by virtue of their political authority and to penetrate into regional production and shipping by cooperation with the Chinese due to their unfamiliarity with regional conditions. Chinese capitalists on the

other hand were able to maintain their existing capital network and avoid fierce competition with the European by subjecting to the latter. The indigenous, especially the Malay rulers, accumulated their wealth mainly by land lease and later also by participating in some industries.

There was, in general, a friendly relationship among the three main population groups, which could be reflected by the honoured title given by the European and Malays rulers to the Chinese leaders of the community. In the Riau Islands, rich Chinese capitalists obtained their political status by both their wealth and intimate relationship with the Dutch and Malay rulers, reflected by the continuation of the *kapitan* system, in which the *kapitans* or the community leaders always received the recognition of the Dutch. Moreover, Dutch officials were often invited by these Chinese leaders to attend important occasions such as weddings, inaugurations or family get-together. M. Schaalje, the Chinese interpreter of the Netherlands Indies used to receive a rich Chinese businessman to attend a marriage banquet.⁸⁷ The courteous and respectful words and humble manner showed by the Chinese inviter indicated that their relationship was not only intimate, but also subordinate on the Chinese side.

In the self-governed Johor, the Malay rulers and the Chinese were also in a favourable relationship. Tan Yeok Nee, a prominent Chinese in Johor, began his career as a cloth peddler, making daily visits to Telok Blangah, a district in Singapore, where the temenggong's family became his customers, and he struck up a friendship with the Temenggong Abubakar, who afterwards was styled *maharaja* of Johor. By 1866, Tan Yeok Nee had established himself as a prosperous gambir and pepper trader at Boat Quay under the *Chop Kwang Hong*, and obtained extensive *kangchu*⁸⁸ rights in Johor territory. He was



A letter with red envelope from a Chinese leader to M. Schaalje, a Dutch official in the Riau Islands. Words on the envelope: 綴沙烈老 夫子老夫人尊前 (To Mr and Mrs. Schaalje) .

Source: BPL 2106.II12.A.

⁸⁷ BPL 2106.II.12.A

⁸⁸ About *kangchu*, see Chapter 4.

made Major China of Johor by Temenggong Abubakar in about 1870.⁸⁹ Tan Joor Tiam, another Chinese capitalist, came from China in the 1870s. He established himself in business as a gambir merchant under *Chop* Hua Heng in Teochew Street and as a cloth merchant under the *Chop* Kia Heng in Upper Circular Road. For many years he figured as one of the leading gambir and pepper planters in Johor, and he had the honour of being decorated by the sultan of Johor.⁹⁰ Tan A Tjon (or Tan A Tiao), was an opium farmer in Tanjung Pinang. His services were appreciated by the Johor government, and in 1904 he was a S.M.J.⁹¹ He owned considerable landed property both in Singapore and Johor, and his estates in Mersing and elsewhere in Johor were planted with gambir, pepper, tapioca and rubber.⁹²

However, rather than being a peaceful and diligent ethnic group as often perceived, the Chinese community was full of rivalry and conflicts, resulting from their differences in origin and clan, such as that between the Teochew Chinese and Hokkien Chinese. This was well exemplified by the migration of Chinese gambir and pepper planters from the Riau Islands to British Malaya in the early nineteenth century. On the one hand, the migration was attributed to the opening of Singapore and the encouragement of the temenggong of Johor. On the other hand, it was said to be due to the conflicts between the Teochews and the Hokkiens. Most Hokkiens resided in Riau's capital Tanjung Pinang, which they called Hsiao-po or Fu-po, whereas the Teochews lived in nearby Senggarang, known as Ta-po or Chao-po. Considering their difference, the Dutch colonial government appointed separate *kapitans* to administrate their communities. Although the Teochews began their plantation on Bintan in the 1730s, much earlier than the Hokkiens (in the 1730s), the economic position of the latter in the Chinese community rose much faster. Towards the end of the nineteenth century, the Hokkiens replaced the Teochew gambir-producers in Senggarang and grasped the economic leadership of the Chinese community.⁹³

The tension between the Teochews and Hokkiens also showed up in British Malaya, where conflicts between various secret societies arose, especially between Ngee Heng *Kongsi* and Haishan *Kongsi*. With regard to the labour division among the different dialect groups in the archipelago, one may say in general that the Teochews were engaged in the production of commercial crops, while the Hakka

⁸⁹ Song, *One Hundred Years' History of the Chinese in Singapore*, 335.

⁹⁰ *Ibid.*, 35.

⁹¹ S.M.J. stands for *Seri Mahkota Johor*, a decoration Showing loyalty and meticulous service.

⁹² Song, *One Hundred Years' History*, 354.

⁹³ Ng, *The Chinese*, 23.

were mainly miners.⁹⁴ These internal conflicts and disharmony undermined both political and economic importance of the Chinese community in the region.

The relationships between Western countries showed another pattern. In the triangle region, as the most dominant Europeans, the British and the Dutch represented the Western relationships. In their colonies in Southeast Asia, for a long period, their common continental interests have led to a close understanding between the British and the Dutch. This understanding resulted in a cooperative and stable relationship between the two countries, although the natural antagonism could not completely be overcome.⁹⁵

Above-mentioned various patterns of relationship between different ethnic groups were maintained up to the outbreak of the Pacific War. During the Japanese occupation, the Japanese attempted to harness and control the forces of nationalism and ethnicity by promoting an Asian identity, a concept of Asian unity and a pan-Asian nationalism under Japanese leadership.⁹⁶ Before the invasion, Indians and Malays did not have strong feelings about the Japanese, but there was intense hostility among the Chinese.⁹⁷ But the result was that the Europeans were expelled, whereas the Chinese were recognized for their abilities and their significance for Malaya's economic recovery.⁹⁸ However, the Japanese were extremely wary of the Chinese. They dissolved many existing Chinese organizations, notably dialect and clan associations, and created an Overseas Chinese Association (OCA) with branches throughout Malaya as their principal agency for dealing with the Chinese community.⁹⁹ This hostile ethnic relationship was far from conducive for regional economic development.

In the shadow of the Japanese, the relationship between other ethnic groups is not clear. After achieving independence, more regional differences transpired. In Singapore, the Europeans and the Chinese still held their economic importance, in which shows a continuity from colonial times. By contrast, a cleavage between the Europeans and the Chinese on one side, and the Malays on the other emerged because of the advance of Indonesian and Malay nationalism.¹⁰⁰ The status of Malays was purposely enhanced by the government. Such government intention was even more serious in Indonesia. By the end of the Japanese occupation, the dominant Indonesian nationalist force (the Sukarno-Hatta group) was geared towards a socialist economic, which in practice advocated state enterprises and encouraged

⁹⁴ *Ibid.*, 38.

⁹⁵ Jonker et al., *A History of Royal Dutch Shell*, 11.

⁹⁶ Kratoska, *The Japanese Occupation*, 94.

⁹⁷ *Ibid.*, 223.

⁹⁸ *Ibid.*, 93.

⁹⁹ *Ibid.*, 100.

¹⁰⁰ Twang, *The Chinese Business Élite in Indonesia and the Transition to Independence, 1940-1950*, 124.

indigenous business, leaving Chinese business in limbo.¹⁰¹ The Indonesian business class was coming very close to gaining state power as reflected in the great political influence of Hatta. The Chinese, who were politically impotent, seemed upset, as they were about to lose the political protection which they enjoyed during the colonial period.¹⁰² It resulted in the decline of Chinese power. Their property rights were denied, undermining their stagnant business position.¹⁰³

The European-Malay relationship was also unsatisfactory, especially in Indonesia. Hostile attitudes of the Indonesian government resulted in the confiscation of foreign assets, and a sharp decline in foreign investment when the process of economic decolonization gained momentum. However, the influence of these ethnic policies on the Riau Islands was not very effective. Firstly, the peripheral location of this area made government policy difficult to implement. Secondly, compared to other places in Indonesia, the economic importance of the Riau Islands was extremely limited. There was a lack of foreign business, so that the process of economic decolonization was scarcely felt. Thirdly, concerning local Chinese businessmen, many of them were Singapore-based. Both formal and informal connections to Singapore provided flexibility. Therefore, a relatively stable ethnic relationship inherited from the colonial period was retained, although the rise of Malays and Malay economic importance must not be neglected.

In both Indonesia and Malaysia, a relatively 'freer' economic environment was not created until the establishment of the New Order by Suharto in 1966 and the implementation of the NEP which was in effect in Malaysia from 1971 onwards. These new policies smoothed ethnic relationships to some extent and resulted in a rapid economic development of the two countries in the late twentieth century.

This pattern of ethnic relationship facilitated the creation of a varying connection within the triangle area. Due to the establishment and expansion of Chinese networks, social connections between the three states were reinforced during the colonial period. It reached the strongest point under unified Japanese military administration. This connection became weak after the Pacific War as a result of the disturbed relationships between Singapore, Malaysia and Indonesia.

4. Overview of socio-political development

The interplay of trade, shipping and capital created by the movement of people and organisations maintain vibrant links with the outside world. The study of the political development and demographic features of Singapore, Johor and the Riau Islands not

¹⁰¹ *Ibid.*, 117.

¹⁰² *Ibid.*, 123.

¹⁰³ *Ibid.*, 150.

only provides a general context, but also demonstrates the key issues in this study from a different perspective.

By comparing political change in the three regions, we found that Singapore experienced a relatively stable political evolution, only disrupted by the Pacific War, even though, the political environment showed a sustainable pattern, which was particularly characterized by the continuation of the free port policy. Johor shows more similarity than difference with Singapore. In the colonial period, there was a process of completing and reinforcing the political system by means of a constitution under indirect British rule. The maintenance of the sultan as ruler of the country during the whole period guaranteed a smooth transition from the colonial period to independence. However, there were drastic changes in the Riau Islands, which successively existed as a puppet sultanate, a residency and an isolated province with changeable bureaucratic institutions, as well as an unstable border region.

From a long-term perspective, individual political transformation was not an independent process but is best characterized as being mutually influenced. For a long period, the British and the Dutch dominated regional political evolution. The 1871 Anglo-Dutch Treaty guaranteed a relatively stable and non-hostile regional political environment. However, this came to an end with the Japanese invasion. Japanese influence was dramatic but temporary. The immediate post-war situation was characterized by intermittent cooperation and confrontation. It reached a peak in the period between 1963 and 1966, known as the Indonesian–Malaysian Confrontation, as a result of Indonesia's political and armed opposition to the creation of an expanded Malaysia federation. Both political and economic unrest befell the three regions. On 1 June 1966, Malaysia and Indonesia signed a bilateral agreement to end the Confrontation,¹⁰⁴ which would result in a new beginning of regional development. But the end of the Confrontation did not signal the end of hardship. It was not until 1968, when relations between Singapore and Indonesia were normalised, that regulated communication began to improve, again as a result of restored cross-border mobility.¹⁰⁵ Nevertheless, colonial influence was not easily eliminated in the three areas under discussion. In the triangle area, socio-economic activities were still frequently conducted in defiance of the central government, although considered illegal or secret. Therefore, the one and a half centuries of political development in the triangle showed more continuity than discontinuity.

Political transformation also had an impact on economic policies. In general, a rather liberal and stable policy was continued in Singapore from the colonial period to the present, whereas in Malaysia and Indonesia, higher priority was given to the Malays in both countries under the guidance of development of the national

¹⁰⁴ SYB (1966).

¹⁰⁵ Kalir and Sur, *Transnational Flows and Permissive Politics: Ethnographies of Human Mobilities in Asia*, 96.

economy after achieving independence. It indicated a shift from liberal policy to government interventionist in Johor and the Riau Islands.

Regarding the relationship between the change of regional politics and demographic development, population growth show a high correlation with economic and political significance. Rapid population growth accompanied economic expansion and rising political leverage. During the colonial period, European political supremacy resulted in a rapid growth of the European population, although absolute numbers were quite small. Under European colonial policy, the Chinese gradually gained importance in the economic field. This fuelled Chinese immigration, which in turn contributed to the growth of the Chinese population in this area. Considering the demographic structure and ethnic relationships, the influx of Chinese was also partly a result of close relations with both Europeans and Malay rulers. The kinship between Malay rulers in Johor and the Riau Islands was an ethnic bond within the triangle region. The Malay population received an impetus in the post-war period as a result of the policy-encouraged higher birth rate, as well as their gradually enhanced political status, but it was at the expense of the Europeans and Chinese.

In short, from a socio-political perspective, the interconnectedness between Singapore, Johor and the Riau Islands shows a first increasing, then decreasing process with the Pacific War as its turning-point. Malay political dominance in post-war Malaysia and Indonesia, however, finally made the mutual connection less and less relevant. This was not changed until the establishment of the SIJORI Growth Triangle.

Regional socio-political aspect corresponded to two factors in the Porter's Diamond Model: social structure and government. The factor of social structure includes two variables: demographic composition and ethnic relationships. Assignments after standardization are shown by Table 2.6.

With regard to demographic composition, the absolute share of different ethnic groups in the total population is not accurate enough to reflect their economic importance. Instead, we need to focus on their growing relative importance and to take consideration also their hierarchy or position in the community, especially the European and the Chinese who possessed economic importance in this region. Although the Europeans only had a small share in total population, they possessed the most economic and political advantage in the colonial period. This advantage was maintained to a certain extent in the post-war period.

Regarding ethnic relationships, the relationships between different ethnic groups can be characterized as rivalry, competitive, or cooperative. It has been widely accepted that a harmonious ethnic relationship has a positive impact on the accumulation of regional competitive advantage, whereas a hostile relationship

brings negative impact. During the colonial era, a relatively stable and plural social order was meant by colonial 'good government', in which Europeans controlled the economy and Malays occupied the land in the context of growing communities of migrant Chinese and Indian labour. After independence, an increasing number of ethnic riots and social inequalities led to a more questionable social order.¹⁰⁶

Table 2. 6. Standardized assignments of social structure in Singapore, Johor and Riau Islands by period, 1870-1970.

	1870-1910 Early imperialism			1910-1940 High colonialism			1942-1945 The Pacific War			1945-1970 Decolonization, independence		
	S	J	R	S	J	R	S	J	R	S	J	R
<i>Demo-compo. – E</i>	1.6	0.8	0.4	3.2	2	0.8	0.4	0.4	0.4	4	2.4	0.8
<i>Demo-compo. – C</i>	2.4	1.6	1.6	2.8	4	2.4	1.2	1.2	1.2	3.6	3.2	2.4
<i>Ethnic relationships</i>	4	4	3.2	2.8	3.2	2.4	0.4	0.4	0.4	4	3.2	1.6
Mean value	2.7	2.1	1.7	2.9	3.1	1.9	0.7	0.7	0.7	3.9	2.9	1.6

The factor of government considers three variables: political stability, policies and effectiveness. Political stability and harmony generally guaranteed rapid growth of the economy despite the change of political regime, whereas political chaos left opportunities for the growth of illegal smuggling trade with political rivalry disturbing mutual connections between Singapore, Johor and the Riau Islands. Regarding policies, regional measures are recognized as a policy contributing to competitiveness. Regions are recognized as actors which make political and economic decisions, and whose local knowledge can be harnessed to improve the performance of the world economy.¹⁰⁷ Generally, liberal economic policies have a more positive effect on the economic environment, whereas interventionist and protectionist are relatively negative, if we adopt the doctrine of economic liberalism which supports and promotes laissez-faire economics, private property, free competition, limited government regulation, but opposes government intervention in the free market that inhibits free trade and competition. Thus a positive evaluation is assigned to laissez-faire policies with limited government intervention, while a negative assignment is given to strong interventionism. During the colonial period, a relatively liberal economic environment prevailed, except in the 1930s when there was a

¹⁰⁶ Gomez, 'The Rise and Fall of Capital: Corporate Malaysia in Historical Perspective'.

¹⁰⁷ Stejskal and Hajek, 'Competitive Advantage Analysis: A Novel Method for Industrial Clusters Identification'.

growing tendency towards protectionism. State intervention was at its strongest point in Indonesia in the 1950s and early 1960s.

Assignments after standardization are shown by Table 2.7. In general, an effective administrative system facilitates the influx of foreign capital, helps implement government policies, improves the investment climate, etc. The effectiveness of government administration varies according to the political and geographical hierarchy of the region in a nation. In Singapore, as the political gravity of the Straits Settlements and later the independent government, there was a high level of effectiveness of administration. By contrast, in the Riau Islands, located on the periphery of Indonesia, there is a tendency away from the central government, resulting in low effectiveness. This was lowered by indirect rule in the second half of the nineteenth century. Therefore, a more effective administrative system was established, allowing the influx of foreign capital.

Table 2. 7. Standardized assignments of government in Singapore, Johor and Riau Islands by period, 1870-1970.

	1870-1910 Early imperialism			1910-1940 High colonialism			1942-1945 The Pacific War			1945-1970 Decolonization, independence		
	S	J	R	S	J	R	S	J	R	S	J	R
<i>Political stability</i>	2	1	½	2	2	1	½	½	½	2	2	1
<i>Policies</i>	1	1	1	2	2	2	¼	¼	¼	2	1	½
<i>Effectiveness</i>	2	1	¼	2	2	½	½	-	-	2	1	½
Mean value	1.7	1.0	0.6	2.0	2.0	1.2	0.4	0.3	0.3	2.0	1.7	0.7

Chapter 3

Trade Connections: Commerce and Merchants

It was suggested in the introduction that mutual connections between Singapore, Johor and the Riau Islands can be observed in three spheres: trade, shipping and capital. This chapter focuses on the trade flow between the three regions. In this regard, external trade refers to trade between the Singapore-Johor-Riau Islands region and other places, whereas internal trade means the movement of commodities between Singapore, Johor and the Riau Islands. The main attention of this chapter is paid to the internal connections, which stimulated internal integration within the triangle area.

As far back as the early nineteenth century, trade development had been stimulated by the free port policy in both British-colonized Singapore and Dutch-controlled Riau Islands. As the most important participants of trade, the Europeans and Chinese dominated all international and regional trade. Their complementary roles stimulated internal integration based on a pattern of mutual benefit. Under these conditions, both international and regional trade experienced rapid growth. However, from the 1860s onwards, new elements, such as a more aggressive colonial expansion, the opening of the Suez Canal, the arrival of steamships and the laying of submarine telegraph cables, changed the pattern of trade. The new factors, together with the rise of Hong Kong in the trade between China and the West, gave Singapore a more important role in the Southeast Asian network. In

this system, the Malay Peninsula and the Netherlands Indies served as the hinterland of Singapore. Regional agricultural and mining products were shipped to Singapore in large quantities, and from there further transported to Western countries.¹ In exchange, manufactured goods from the West were imported into Singapore and distributed to its hinterland. This pattern is characterized as East-West trade. Meanwhile, the position of Singapore as an entrepôt for regional trade was maintained, especially for transshipment of rice from Thailand, Vietnam and Cambodia to British Malaya and the Netherlands Indies, designated as intra-South China Sea trade.

As the closest neighbour of Singapore, Johor and the Riau Islands reacted differently to these changes. Johor performed exclusively as the hinterland of Singapore. Most of its products were directly transported to the Singapore market. In return, rice, textiles and other daily necessities were imported from Singapore for local consumption. The dependence of Johor on Singapore fitted into British colonial policy in unifying the entire Malay Peninsula. By contrast, in the Netherlands Indies, the Dutch colonial government adopted a different attitude. Instead of full cooperation, the Dutch regarded Singapore as their main rival. In order to attract trade flows from Singapore to ports in the Netherlands Indies, the Dutch colonial government made the whole of the Riau Islands as free trade region. On the one hand, the Riau Islands became the hinterland of Singapore for the trade of agricultural products because of geographical proximity. On the other hand, it also performed a role as an entrepôt in domestic interinsular trade in the Netherlands Indies. Such differences in trade within triangle region existed throughout the entire period of this study.

Departing from this context, the chapter begins with an overview of general trade development individually, followed by an analysis of mutual trade connections within the triangle. Part three pays attention to the main actors of trade and analyses the role of the Europeans and Chinese in regional trade development. Two different methodologies are applied. Quantitative analysis is applied to describe the general development of trade and the structure of exports and imports, whereas an analysis of hinterland and foreland is used to identify trade connections.

¹ For more discussion see Wong, *The Trade*. CSAR (1960), 17-8.

1. General trend of trade development

1870s-1910s

It is commonly agreed that the last forty years of the nineteenth century constituted a period of relatively liberal world trade.² Benefiting from it, the trade of Singapore in this period achieved a rapid growth at an average rate of 3.4% per annum, although deeply influenced by the depreciation of the Mexican dollar that traditionally was widely used in Southeast Asia (Figure 3.1).³ This growth rate was given in current prices, but it did not show considerable difference with the growth rate in real terms. Deflated with the Sauerbeck-Statist overall price index, real annual average growth rate of Singapore merchandise exports between 1870 and 1910 was estimated at around 3.3% by Huff.⁴ Also Sugimoto's estimate of price indices between 1900 and 1910 does not show much deviation from the trend in current prices.⁵ Our hypothesis of rapid growth in Singapore can therefore be accepted. Characterized as entrepôt trade, there was little difference in the structure of imports and exports but with a net import surplus. Traded commodities in this period can be classified into two categories. The first category included products for daily consumption, such as rice, cotton piece goods and opium, imported from the international market and distributed to the regional hinterland. The second category included commercial products from the hinterland destined for Western countries, such as tin, pepper, gambir, copra and other agricultural products.

The relative importance of these commodities changed dramatically during this period. The share of rice and opium in total imports rose slightly due to the growth of the population in Southeast Asia. The share of cotton piece goods, however, declined sharply from around 10 per cent in 1885 to only three per cent in 1910. The same trend can be observed in the trade of gambir and pepper. The combined share of the two was more than 13 per cent in 1885, but by 1910 this figure had dropped to 5 per cent. They were replaced by tin, rubber and copra. In 1885, the trade of tin only had a share of four per cent of total imports. But from the early twentieth century, Singapore imported a large amount of tin ore, and exported tin products after being smelted locally. The total share of tin and tin ore was nearly 20 per cent in the first decade of the twentieth century. Another newly emerging commodity was rubber,

² Courtenay, *A Geography*, 18.

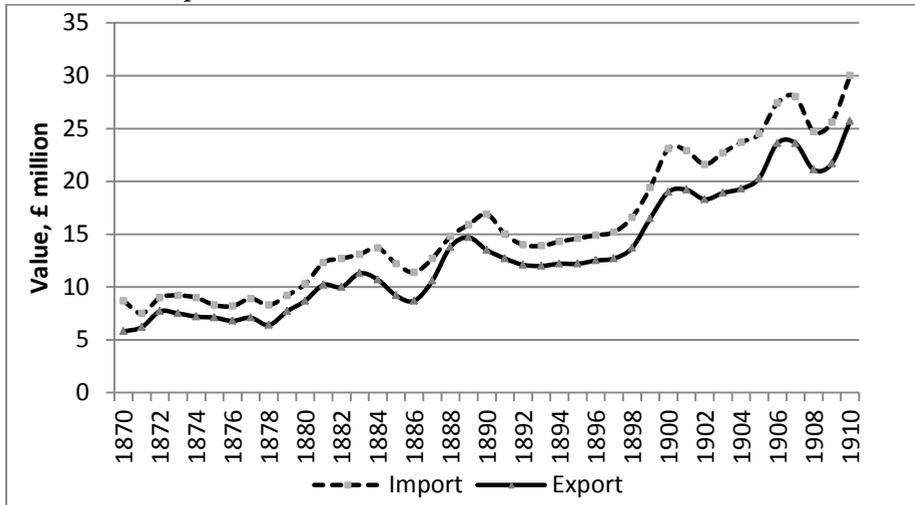
³ Original statistics on prices in Singapore and Johor are recorded in different kinds of dollars (Mexican dollar, Straits dollar, etc.). The growth rate of 3.3% is based on the pound value. If calculated in dollar currency, the growth rate is around 5.5% per annum.

⁴ Huff, *The Economic Growth*, 44.

⁵ Sugimoto, *Economic Growth in Singapore in the Twentieth Century: Historical GDP Estimates and Empirical Investigations*, 136.

which, however, had not gained much importance yet. In 1910, its share was still below 5 per cent of total exports (Table 3.1).

Figure 3. 1. Imports and exports of Singapore, 1870-1910.
(£ mill. in current prices)



Source: Appendix iv.

Table 3. 1. Structure of imports and exports in Singapore, 1885-1910.
(percentage share)

	Import			Export		
	1885	1900	1910	1885	1900	1910
Gambir and Pepper	13	5	4	16	7	6
Cotton goods	11	5	4	9	5	3
Rice and opium	16	15	22	16	14	18
Tin and tin ore	2	15	13	7	19	17
Gutta-percha	2	5	1	4	8	2
Copra	2	2	5	2	2	6
Rubber	-	-	-	-	-	5
Others	54	53	48	46	45	43

Note: "Others" include rattan, fish, etc.

Source: Appendix v.

In Johor, a rapid growth of trade also took place, but it was characterized by an export surplus, unlike Singapore. Akin to Singapore, the growth rate was recorded at 3.7% per annum, but with fluctuations (Figure 3.2). Like in Singapore, although this

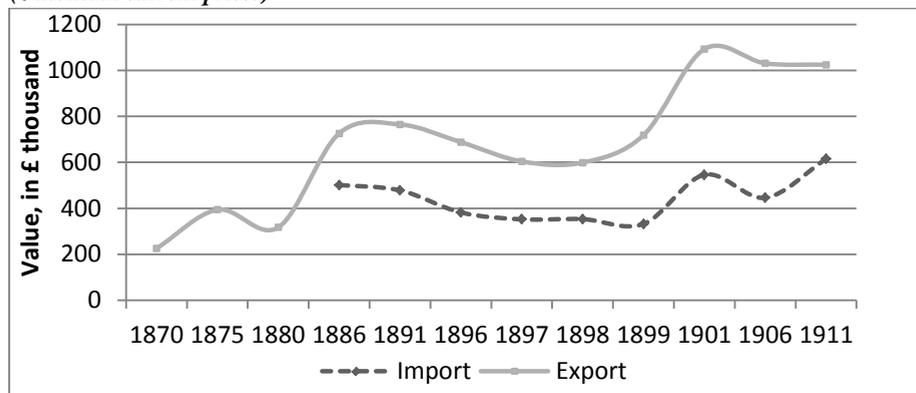
estimate was also in current prices, limited influence of inflation was expected on the real growth of trade in Johor as governed by Straits Settlements.

With regard to trade structure, Johor differed markedly from Singapore. Although there is no detailed information about imported commodities into Johor, fragmentary evidence shows that imports were dominated by food and other basic products for daily consumption. In 1886, rice imported into Johor amounted to 368,093 piculs, valued at £200,000, about 40 per cent of total imports into Johor.⁶ Concerning exports, during the heyday of the plantation economy in the second half of the nineteenth century, a large volume of pepper and gambir was produced and exported from Johor. Pepper and gambir remained the only regional products of significance until the early twentieth century when other commodities gained more importance, such as tapioca, copra and rubber, contributing to the diversity of trade in Johor (Table 3.2).

These products were planted or collected not only by smallholdings, but also by large European estates concentrated in Batu Pahat, Pulo Kokob, Panti, Johor Bahru and Pengerang.⁷ Moreover, traditional fisheries were still in the hands of indigenous people, but were without economic importance. The single largest change that took place was the emergence of rubber, which became the most profitable product for Johor in the following half-century. In 1910, total exports of rubber from Johor amounted to £175,000, 21 per cent of the total exports.

Figure 3. 2. General trend and export structure of Johor, 1870-1911.

(£ thous. in current prices)



Source: Appendix vii.

⁶ Courtenay, *A Geography*, 104.

⁷ Great Britain, *Trade and Shipping of South-east Asia*, 78.

Table 3. 2. Structure of exports in Johor in 1890 and 1910.
(percentage share)

	Gambir	Pepper	Rubber	Tapioca	Areca nuts	Copra	Fish
1890	56	44	-	-	-	-	-
1910	26	14	21	8	17	14	-

Source: Appendix viii.

The Riau Islands from 1873 onwards also benefited from a liberal economic policy, just like elsewhere in the Netherlands Indies. The influx of foreign investment stimulated the plantation sector and exports of various commercial estate products, such as pepper, copra and rubber, both by the local population and European firms.⁸ In exchange, rice and other stuff for daily use were imported and re-exported to other places in the Netherlands Indies. The general trend of trade development is given in Figure 3.3, indicating a net export surplus and a growth rate of 1% per annum based on current prices. Bart van Ark's estimate shows that export indices in the Netherlands Indies during this period deflated by 12 per cent over these forty years.⁹ The annual average deflation rate was hence estimated at only 0.3%, which had a very limited impact on the growth rate in real terms. We adjust the real average growth rate to 1.3% per annum, much lower than that of Singapore and Johor. Rather than a steady growth, the regional process showed sharp fluctuations, implying the vulnerability of the Riau Islands to outside influence.

Concerning the structure of imports, a limited range of products was imported. Rice, clothes, textiles, sugar and opium were the most dominant and this picture did not change throughout the whole period. Industrial manufactured goods, iron, machines and oil products were not imported until the twentieth century and in very small volumes (Appendix xiv). This reflected the small scale of industrial activity both in the Riau Islands and in the Netherlands Indies in general. The structure of exports showed many similarities with Johor (Table 3.3), notably the predominance of gambir and pepper in the late nineteenth century and increasing diversification into the twentieth century, when a number of other agricultural products were also exported, such as pineapple, sago, copra, etc.

⁸ Touwen, *Extremes*, 90.

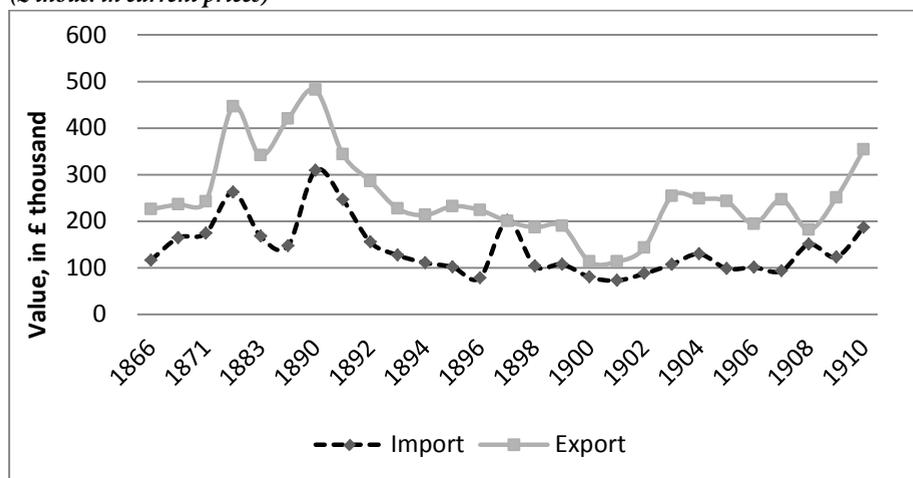
⁹ Van Ark, 'The Volume and Price of Indonesian Exports, 1823 to 1940: The Long-Term Trend and its Measurement'.

Table 3. 3. Structure of exports in Riau Islands, 1866-1909.
(percentage share)

	Gambir	Pepper	Sago	Copra	Other
1866	60	35	-	-	5
1879	61	34	-	-	5
1895	70	22	-	-	8
1909	39	8	14	25	14

Source: Appendix xv.

Figure 3. 3. Imports and exports of Riau Islands, 1866-1910.
(£ thous. in current prices)



Source: Appendix xi.

1910s-1940s

Liberal world trade since the early twentieth century was adversely affected by growing protectionism which reached its peak in the 1930s. Although the trade of Singapore during this period was marked by a growth rate of 2.1% per annum in current prices. During this period, import and export price indices deflated by 27.4 per cent and 29.1 per cent respectively.¹⁰ Influenced by the estimated annual deflation rate of 1%, the real annual growth rate of trade of Singapore can therefore be set at around 3.1% during this period. Similar to the fluctuations of price indices (Appendix 1), the volume of trade was severely influenced by both political and economic instability, especially the First World War (1914-1918), restriction schemes and the worldwide economic depression in the 1930s (Figure 3.4).

¹⁰ Sugimoto, *Economic Growth*, 136.

The First World War resulted in global political instability and economic unrest, but it also stimulated tyre manufacture, which generated a large demand for natural rubber. Regional trade was thus to a large extent stimulated by the export of rubber products. Rubber, as well as tin products, constituted the main part of Singapore's trade. However, the production and trade of them were both regulated and limited by various restriction schemes from the 1920s to the 1940s. The output of rubber in British Malaya was restricted by the Stevenson Restriction Scheme in the years 1922-1928, and the International Rubber Regulation Scheme from 1934 to 1937, that also applied to the Netherlands Indies. These interventions intended to stabilize declining rubber prices resulting from excess supply. The International Tin Control Scheme, aiming at restricting supply by export quota, became operative on 1 March 1931. It was renewed several times, notably in 1934 and 1937. These intensive interventions by government not only reflected the new character of regional trade, but also the integration of regional economy with the world market. They also resulted in drastic fluctuations of trade in the 1920s, as both production and prices of rubber and tin were rather unstable. The decline after 1930 was due to the world economic crisis, the influence of which was so far-reaching that trade of Singapore did not recover its earlier levels before the Pacific War.

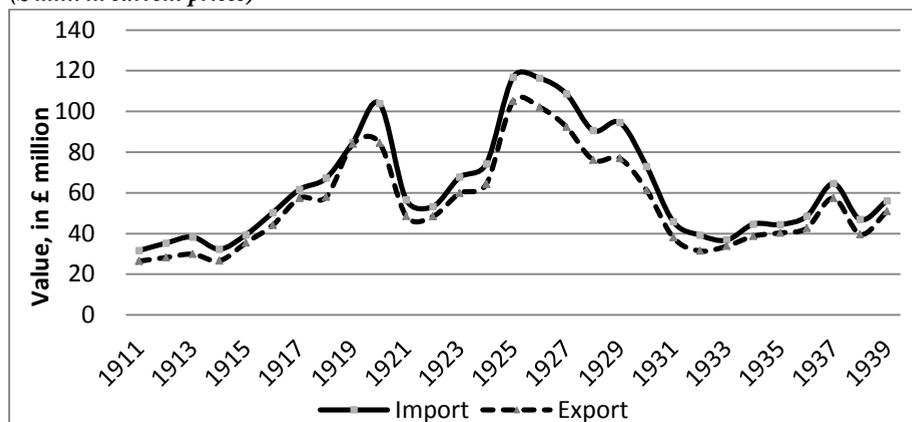
Change also occurred with regard to trade structure. On the export side, the once important gambir and pepper lost their previous significance. They were replaced by rubber, canned pineapple and petroleum (Table 3.4). Instead of being refined in the region, the oil products were mainly transported from the Netherlands Indies. They were stored and redistributed through the island of Pulau Bukom by Royal Dutch Shell. These products did not have much impact on the Singapore economy as they created little new employment, with installations confined to Singapore's offshore islands.¹¹ The share of tin and other minerals remained stable. Among imports, the structure began to show a difference compared to exports. Imports of tin products were replaced by imports of tin ore, which was smelted in Singapore before being exported. The same pattern was also observed in other processing industries such as rubber, canned pineapple and palm oil, which were based on primary products imported from adjacent regions.

These subtle changes demonstrate the emergence of industries for semi-manufactured products, which gave Singapore the character of a staple port.¹² Nevertheless, its position as an entrepôt for regional distribution of rice, cotton piece goods and other manufactured items remained and was reinforced.

¹¹ Huff, *The Economic Growth*.

¹² *Ibid.*, 71.

Figure 3. 4. Imports and exports of Singapore, 1911-1939.
(£ mill. in current prices)



Source: Appendix iv.

Table 3. 4. Structure of exports in Singapore, 1911-1939.
(percentage share)

	Rubber	Canned pineapple	Tin	Petroleum	Other
1911	6	1	18	-	75
1920	32	1	10	-	57
1929	28	1	12	7	52
1939	41	1	16	12	29

Source: Appendix vi.

A much faster growth of trade was achieved in Johor. Both imports and exports more than quadrupled at a growth rate of about 6% per annum in current prices. Applying the annual deflation rate of 1% in Singapore, we estimate the real annual trade growth rate at around 7%. The depression of the 1930s also deeply affected regional trade, which, however, recovered immediately after the crisis. The net export surplus continued in this period (Figure 3.5).

The steep rise of trade from the 1920s onwards was due to exports of tin, iron and bauxite ores, which radically altered the export structure of Johor. Under the tin restriction schemes, exports of tin ore from mines near Kota Tinggi were governed by the tin quota release each quarter of the year. This created a difference between the amount of tin ore produced and the amount held by miners as 'permissible stocks', representing a percentage of the assessment of each mine. Iron ore was mined in the vicinity of towns of Endau and Yong Peng by Japanese companies. Bauxite mining began only on a small scale in 1936 (only 36 tons); after that year, the excavating and

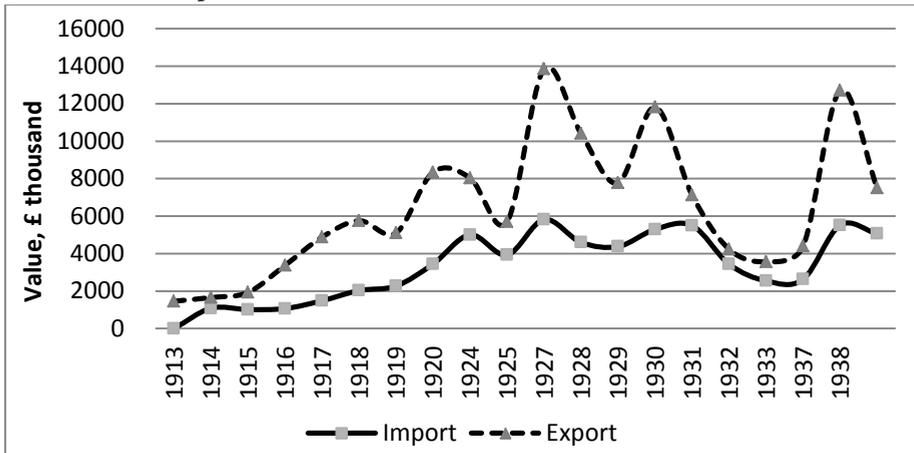
washing plants in the mine were enlarged and output increased. All iron and bauxite ores were exported in its crude state to Japan, where they were processed.¹³

Another contribution to export diversity came from rubber and palm oil. From the beginning of the twentieth century, all planters, whether European, Malay or Chinese, and whether capitalists or not, had devoted their efforts to rubber.¹⁴ The share of rubber in total exports increased from 32 per cent in 1913 to 71 per cent in 1939. From the 1930s onwards, exports of palm oil also gradually gained importance, although its share was only two per cent of total exports in 1938. By contrast, exports of traditional agricultural products declined. In 1913, although gambir, pepper and other agricultural products still had a significant share in total exports, they faded out completely after the 1920s (Table 3.5).

Rising production of tin and rubber required the import of materials for exploration and processing. This was reflected by a change in the structure of imports. Different from the import of daily necessities in the former period, the imports of manufactured products included textiles, metals and machinery, other construction equipment. The growing value of this category of imports indicated a growth of regional industry as well as technological improvement.

Figure 3. 5. Imports and exports of Johor, 1913-1938.

(£ thous. in current prices)



Source: Appendix vii.

¹³ JAR. (1938), 14.

¹⁴ Ibid. (1910), 6.

Table 3. 5. Structure of imports and exports in Johor, 1913-1939.
(percentage share)

Imports						
	Food, drinks, opium	Raw material	Manufactured material	Other		
1913	80	6	11	3		
1920	69	9	17	5		
1928	52	7	41	-		
1939	43	5	51	1		
Exports						
	Rubber	Gambir, pepper	Tin, iron, bauxite ore	Areca nuts, copra, tapioca, timber	Other	
1913	32	21	4	34	9	
1920	69	2	6	20	4	
1930	66	-	7	-	-	
1939	71	-	9	-	-	

Source: Appendix viii.

Apart from Pulau Bukom in Singapore, another distribution centre of Royal Dutch Shell was Pulau Sambu, one of the small islands in the Riau Islands situated very near Singapore. Since 1911, it had been selected as a storage and distribution centre of the *Bataafsche Petroleum Maatschappij* (BPM, the Batavian Oil Company, a subsidiary of Royal Dutch Shell) after a year-long negotiation between the company and the sultan of Riau-Lingga.¹⁵ The transshipment of petroleum brought recovery to the once prosperous entrepôt trade in the Riau Islands. Although the register of the value of oil products from Pulau Sambu in the Riau Islands is only available for a brief period between 1911 and 1922, Pulau Sambu has kept operating up to the present day. The total value of oil products was far higher than the total of other exports from the Riau Islands, although compared with other oil ports such as Balikpapan in Borneo and Pangkalan Branden in Suatra, the value of exports from Pulau Sambu was insignificant (Appendix xii). Because of the incomplete records of oil products transhipped from Pulau Sambu, we do not include them in the description of the trade of the Riau Islands. Growth rates of imports and exports showed at 3.7% and 2.9% per annum respectively in current prices. According to Van Ark's calculation, export price indices in Indonesia deflated by 53 per cent from 1911

¹⁵ Lindblad, 'The Petroleum Industry in Indonesia before the Second World War'.

to 1938. The annual deflation of export price was hence estimated at 2.6%.¹⁶ We thus adjust the real growth of import and export to 6.3% and 5.5% per annum respectively. They are lower than in Johor, but higher than in Singapore (Figure 3.6).

The structure of non-oil trade also experienced much change elsewhere in the region. Although rice, cloth, and textiles remained the most important import products in the beginning of this period, their share fell from 38 per cent in 1911 to 20 per cent in 1938. By contrast, the combined share of machines, iron and oil products rose from four per cent in 1911 to 33 per cent in 1938, which may be attributed to demand from construction in Pulau Sambu and the development of other industries (calculation based on Appendix xiv).

Diversification also took place in the structure of exports. As in Johor, gambir and pepper lost their former importance and were replaced by rubber, copra, wood and tin ore (Table 3.6). But unlike the preponderance of rubber in the total exports of Johor, the structure of exports in the Riau Islands was more balanced. Although the rubber boom had also performed its magic in the Riau Islands from the 1920s, the export of rubber was rather negligible compared to Indragiri.¹⁷ The export of forest and marine products constituted another part: logging for production of lumber and charcoal, and both fresh and salted fish. Their economic importance was not as large as rubber and copra. Apart from agricultural and forest products, tin ore also held a large share. Tin exploitation had begun as early as in 1887 by the Singkep Tin Company. The ore was not smelted in Singkep, an island in the Lingga archipelago, but transported to Singapore by the own steamships of the company (Straits Trading Company).¹⁸ Since then, the share of tin in total exports increased steadily.

Table 3. 6. Structure of exports of Riau Islands, 1911-1938.
(percentage share)

	Rubber	Gambir, pepper	Tin ore	Sago	Copra	Other
1911	-	44	-	7	45	4
1920	67	5	6	4	16	2
1929	29	4	20	5	19	23
1938	21	5	22	2	12	38

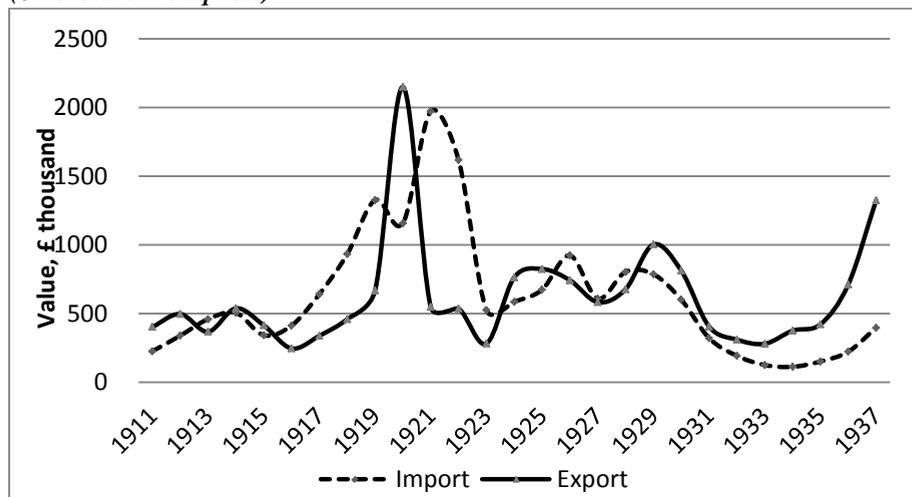
Source: Appendix xv.

¹⁶ Van Ark, 'The Volume'.

¹⁷ Touwen, *Extremes*, 91.

¹⁸ KV (1899), 209.

Figure 3. 6. Exports and imports of Riau Islands (excluding oil), 1911-1937.
(£ thous. in current prices)



Source: Appendix xi, Appendix xiii.

1940s-1970

The Japanese invasion of Malaya brought a sudden halt to regional trade. Although no detailed statistics about trade during the war are available, it can be assumed that a sharp decline took place. Restricted by the Japanese to control economic resources as part of its planned Co-Prosperity Sphere, all international trade was cut off completely except with Japan.¹⁹ On the other hand, regional inter-island trade grasped the opportunity to develop, especially after 1943 when the liberal trade policy was abandoned and the Syonan Import-Export Control Association, run by Mitsubishi and other Japanese firms in Malaya and Sumatra, was set up. Under these conditions, the only commodities produced and exported were in the category of minerals, petroleum and rubber. However, Japanese wartime requirements were largely below production capacity. This difference led to a sharp decline in regional exports of these commodities.

Recovery took place immediately after 1945 when the development of trade showed a new pattern compared to the previous period. In the 1950s Singapore regained its position as the main commercial centre of Southeast Asia, indicated by the rapid expansion of trade with Peninsular Malaysia as a result of general Malayan expansion programmes and the stepping-up of capital investment and purchase of equipment.²⁰ From 1947 to 1971, exports from Singapore increased more than six times and imports increased about five times. Average growth rates per annum were

¹⁹ Twang, *The Chinese Business Élite*, 78.

²⁰ CSAR (1950), 54, 79.

8.2% and 7.3% for export and import respectively, the highest since 1870 (Figure 3.7). Since the price indices did not deviate very much in the 1950s and 1960s,²¹ our estimated growth rates reflect growth in real terms.

The rapid development was accompanied by a change in the trade structure. Rubber still remained very important in the total export, but its share declined from 47 per cent in 1950 to only 24 per cent in 1970. The same trend applied to the export of tin. The decline was rather obvious immediately after 1945.²² These commodities, which were traditionally imported from adjacent Malaya and Indonesia for re-export, underscored the decline of Singapore's entrepôt trade. By contrast, the export of manufactured goods and petroleum formed the main part of exports (Table 3.7).

Changes in the pattern of trade reflected the difference between the traditional entrepôt trade and the currently developing trade with a higher proportion of retained imports and domestic exports.²³ In general, both political and economic changes have affected Singapore since 1960, transforming the country from an entrepôt of regional trade of very limited value into an entrepôt-manufacturing centre for industrialization through the policies of import substitution and later export orientation.²⁴

Table 3.7. Structure of exports in Singapore, 1950-1970.
(percentage share)

	Rubber	Petroleum	Manufactured good	Copra, palm oil, canned pineapple, tin	Other
1950	47	5	-	10	38
1960	41	8	26	4	21
1965	22	14	41	3	30
1970	24	17	48	3	8

Source: Appendix vi.

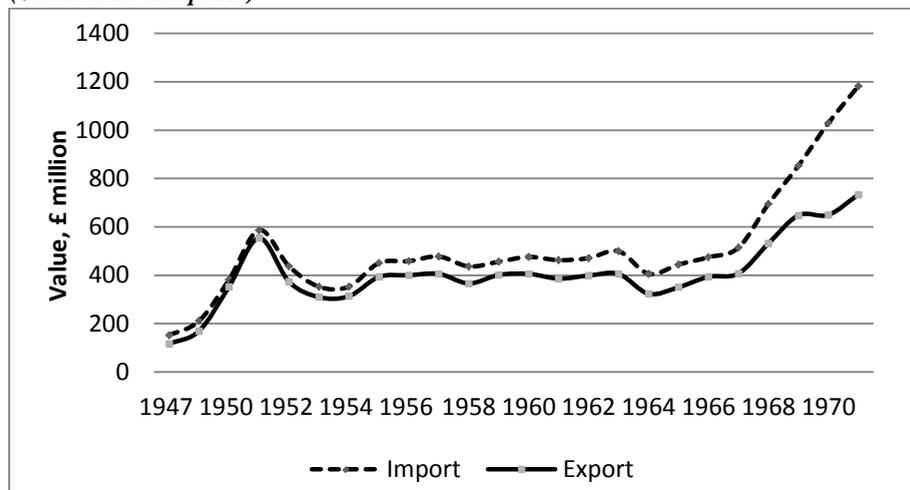
²¹ Sugimoto, *Economic Growth*, 129.

²² *Ibid.*, 135.

²³ Courtenay, *A Geography*, 236.

²⁴ *Ibid.*, 238.

Figure 3. 7. Imports and exports of Singapore, 1947-1970.
(£ mill. in current prices)



Source: Appendix iv.

Immediately upon the conclusion of the Japanese occupation, recovery took place in all domains and output quickly exceeded pre-war levels in Johor. The general trend is observed at the national level as Johor formed an important part of the Malaysian national economy. There was a good performance immediately after the war in the early 1950s as a result of the Korean War, which resulted in a large demand for natural rubber. After that, there was a mild growth of both imports and exports. Considering its geographical location and tradition, Johor's trade probably followed the same trend of bilateral trade as between Malaysia and Singapore, which, however, did not record much growth after the mid-1950s. Later on, exports did stagnate, while imports actually declined per annum, albeit with a limited inflation. Therefore, the trade of Johor in this period was not as satisfactory as before, with an average growth rate of 5% per annum under limited impact of inflation (Figure 3.8).

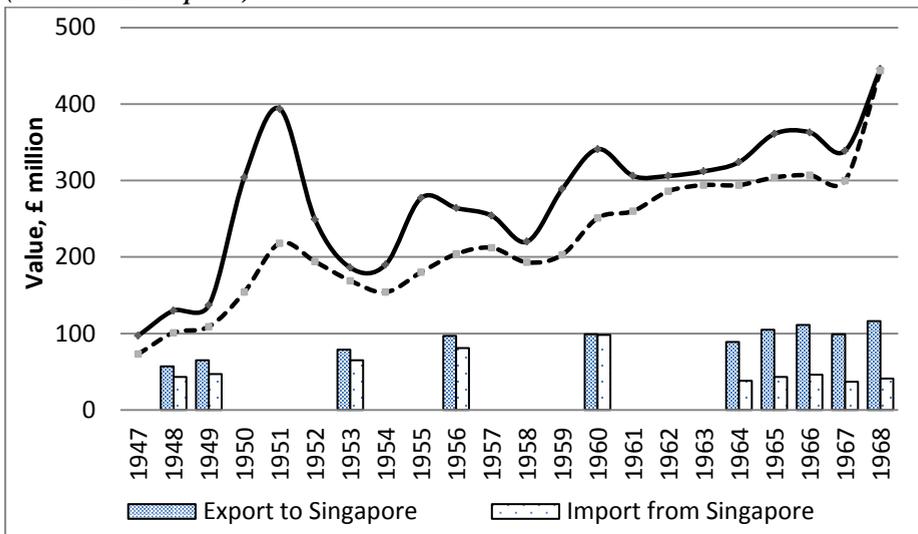
Although industrialization came to be regarded as the means to generate productive employment and to diversify the economy, the effect of related government policies, such as import substitution was somewhat limited before the adoption of the NEP in 1971. Changes in the structure of trade immediately after were not noticeable, in spite of the intention of government policies to diversify the national economy.²⁵ In Muar, the major plantation area of rubber in Johor, the regional economy still largely depended on the export of raw rubber without processing in the first two decades after the war.²⁶ This could also be observed in

²⁵ Mohamed, *Export Trade and the West Malaysian Economy: An Enquiry into the Economic Implications of Export Instability*, 15-9.

²⁶ Lee Yih-yuan, *An Immigrant Town: Life in an Overseas Chinese Community in Southern*

other towns in Johor. Up to the late 1960s, exports of products from the primary sector stayed above 76 per cent of the total, whereas exports from the secondary sector only had a share of about 12 per cent. Rubber, palm oil, canned pineapple, tin, iron, bauxite, timber and fish remained the most important commodities in Johor. As a newly emerging export product, canned pineapple increased from £285,000 million in 1947 to £5.9 million in 1970. Similarly, exports of palm oil became the main component of regional exports replacing rubber. Exports of timber also grew in importance.

Figure 3. 8. Trade of Peninsular Malaysia, 1947-1968.
(£ mill. in current prices)



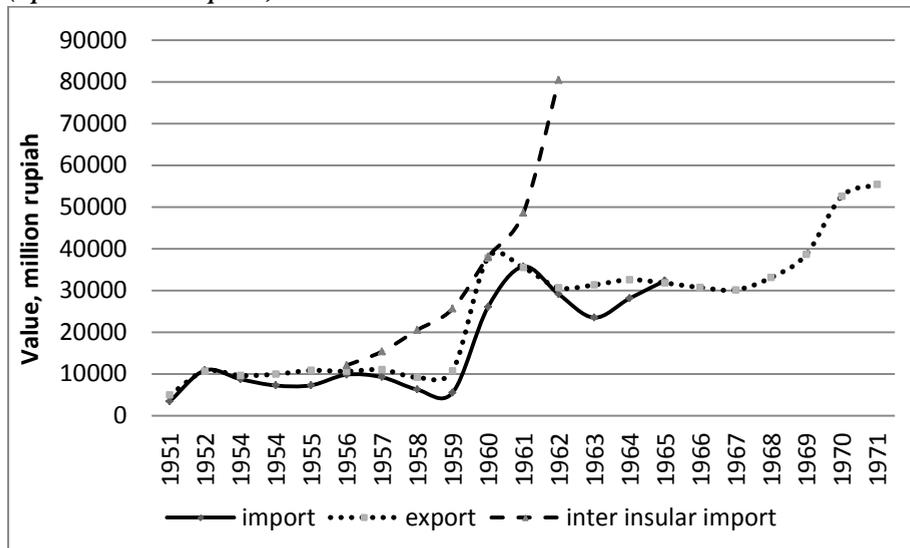
Source: Appendix ix.

Like in Johor, the general development in the Riau Islands in this period is also difficult to observe at the regional level. On the national level in Indonesia, the quest for independence and decolonization took a long time and the process was not completed until the late 1950s. Moreover, the colonial influence did not vanish easily, causing much difficulty in the struggle for economic recovery and independence. Although a recovery took place after the war, the general development of trade showed a slight decline up to 1960. After a jump in the late 1950s, trade fell into stagnation throughout the 1960s and did not improve until the 1970s (Figure 3.9). But we have to bear in mind that the Indonesian rupiah had been in a long-term

depreciation since the early 1950s. The real trade development was even worse if expressed in international currency.

Figure 3. 9. Imports and exports of Indonesia, 1951-1971.

(Rp. mill. in current prices)



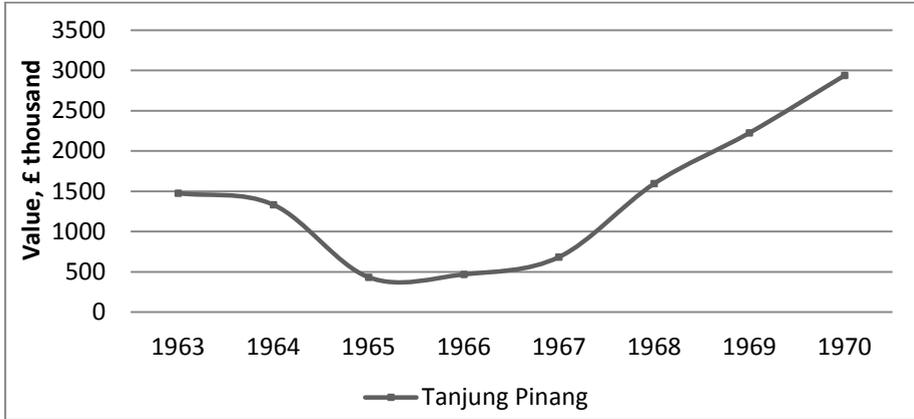
Source: Appendix xi.

Although it is hazardous to assume a correlation between all of Indonesia and the Riau Islands, it seems likely that the unstable political situation and changing government policies at the national level had a negative influence on regional trade. Although regulations were made in 1950 to permit a freer export of produce from its 'duty free' area of the Riau Islands to Singapore,²⁷ there were no optimistic expectation until the late 1960s after the ending of Indonesian-Malaysian Confrontation. From the mid-1960s, when the situation had improved, there were signs of recovery of trade as shown by the growth of trade in Tanjung Pinang, which was internationally oriented (Figure 3.10). In 1973, total exports from Riau amounted to £10.8 million in current prices, far higher than the pre-war figures.²⁸ It is difficult to estimate an accurate growth rate, but it is safe to say that there was a 'slow recovery'.

²⁷ *Singapore Free Press*, 12 April 1950.

²⁸ Lampiran (1973-1974).

Figure 3. 10. Exports in Tanjung Pinang, 1963-1970.
(£ thous. in current prices)



Source: Appendix xvii.

The structure of exports did not differ much from previous period. In 1950, major export commodities still consisted of fish, rubber from the Riau estates, copra from the Pulu Tujuh Islands, gambir from Bintan Island, and timber from Karimun. Tin and bauxite were prohibited from export, but all other produce could be exported in small quantities provided an export permit was obtained at Tanjung Pinang, Belakang Padang and Tanjung Balai.²⁹ Pulau Sambu was still used for transshipment for oil products. The limited export of industrial products suggested that regional economic development had not yet achieved significant transformation and was still at a low level. By 1975, at least, no real change had taken place (Table 3.8). It was only much later that Indonesia underwent an increasing integration with the world economy, profound structural changes and intense diversification.³⁰

Forced by the blockade on international trade and the cut-off of their traditional trade route to Singapore, the Riau people had to rely on shipments of foodstuff from Java. Domestic trade flows between these two islands expanded quickly (Table 3.9). The goods, mostly rice, textile, fish, copra, and coconut oil, were first sent to Tanjung Pinang and from there transported by boat to Java, Borneo and mainland Sumatra. This port was thus transformed into a domestic port for the interinsular entrepôt trade and developed quickly in the 1960s. However, these poor-quality goods did not bring structural change to this pattern of domestic trade compared to the colonial period. The Riau Islands was the last of three regions to experience industrialization. This story only starts seriously with the emergence of the SIJORI Growth Triangle.

²⁹ 'Indies Relaxes Export Rules.' *Singapore Free Press*, 12 April 1950.

³⁰ Frederick and Worden, *Indonesia: A Country Study*, 1.

Table 3. 8. Exports from various ports in Riau Islands, in 1975.
(£ thous. in current prices)

	A	B	C	D	E	F	G	H	I
Tanjung Pinang	76	1,083	-	12	-	-	4	77*	321
Batu Ampar	47	-	1,211	1	-	-	-	406**	1,149
Pulau Sambu	-	-	-	-	25,677	5,555	-	-	-
Tanjung Uban	-	-	-	-	3,210	1	-	-	-
Dabo Singkep	-	-	-	-	-	-	-	5,098***	-
Pasir Panjang	-	-	-	-	-	-	-	17****	-

Note: A: live animals, fish and shrimps, food, copra cake, tobacco; B: rubber and rubber products; C: carbonate; D: gambir, seaweed, jelutung; E: oil products; F: wax; G: wood; H: mineral products, metal and machinery, instruments (* bauxite; ** blowlamps, strongboxes; *** tin and ore; **** granite); I: mangrove charcoal, agar-agar and other.

Source: RdA (1975).

Table 3. 9. Interinsular trade of Riau Islands in 1961.
(Rp. thous. in current prices)

	Rice	Fish	Copra	Coconut oil	Textile	Cement
Import	683	8	-	18	1,714	46
Export	66.3	5,435	370	619	-	-

Source: SI (1961).

To sum up, from a long-term perspective, the gloomy development of the Riau Islands was largely attributed to its peripheral position in the Netherlands Indies and its limited export commodities, whereas the rapid expansion of Johor trade in the period of the 1910s-1940s was attributed to the exports of rubber. Post-war performance of Singapore was better than Johor and the Riau Islands as a result of several factors. First, Singapore moved gradually away from fully depending on entrepôt trade to based on domestic manufacturing. Second, the export of raw materials was replaced by value-added industrial products. Third, complete political independence resulted in a greater flexibility in governing trade than before. In Johor and the Riau Islands, the export structure was still dominated by traditional agricultural and mining products long after the war. Belated and slow industrialization left them lagging behind Singapore. Singapore's trade composition mirrored, not simply an urban-rural dualism, but more a tripartite division; this broadly corresponded to the domestic, Malay and extra-Malay markets.³¹

³¹ Huff, *The Economic Growth*, 115.

2. Trade connections of Singapore-Johor-Riau Islands

Trade connections within the triangle are formed by the trade flows between Singapore, Johor and the Riau Islands, including exports of primary products from Johor and the Riau Islands to Singapore and imports of basic consumer goods from Singapore into Johor and the Riau Islands.

1870-1910

Singapore has developed various trade connections since its establishment as a free port in 1819. Although up to 1870 the advantage of a free port was no longer the monopoly of Singapore, its trade did not suffer from competition, since it still possessed the advantage of a superior geographical location and probably possessed the best facilities for trade compared to other ports in this region.³² By means of its entrepôt position, Singapore established a wide trade network on account of its pivotal position in regional trade. Concerning intra-South China Sea trade, the entrepôt trade in foodstuff (rice in particular), connected Singapore with European colonies in Asia, such as India, Burma, Vietnam, Malaya and the Netherlands Indies. The latter two had a share of around 20 and 30 per cent respectively in Singapore's re-export of Western manufactured goods around 1900.

This regional network with Singapore at the centre was gradually extended and intensified as trade grew and more regions were incorporated. Johor was fully included in this network by exporting gambir, pepper, copra, sago and importing rice and cotton goods. This pattern was the result of political unification. In the Riau Islands, by contrast, exports of regional agricultural commodities were also entirely transported to Singapore, even including those destined for Java. However, this pattern rather went against the intention of the Dutch colonial government to attract trade from Singapore. It was because trade in the Riau Islands was completely in the hands of Chinese businessmen from Singapore. Imposition of taxes on trade with Java forced these exports to Singapore, where another group of businessmen transported them to the Netherlands Indies. But for the imports of foodstuff, they did not entirely come from Singapore. Some regional traders also conducted direct trade between the Riau Islands and Thailand and Vietnam.³³ Still, these external connections declined as Singapore became the chief supplier of imports destined for the Outer Islands of the Netherlands Indies.

The intensity of internal trade connections can be seen by the importance of the Singapore market for Johor and the Riau Islands. The statistics indicate gradually intensified trade between Singapore and the others, as exports of gambir and pepper

³² Wong, *The Trade*, 199.

³³ SHS (1866, 1870).

kept growing in the nineteenth century, but the low percentage of trade of Johor and the Riau Islands in the total of Singapore indicates that, trade between Singapore and Johor-Riau Islands was important for the latter, but not for Singapore. However, from the 1890s onwards, the influx of agricultural products from Sumatra and the decline of gambir reduced the competitiveness of Johor and the Riau Islands in Singapore's market. The emergence of rubber in Johor created another connection with Singapore, but this did not materialize in the Riau Islands until a decade later. Therefore, during the expansion of Singapore's trade network, Johor's links with Singapore was maintained and even intensified, first by pepper and gambir, and later by rubber, but the delay of structural change in the Riau Islands resulted in a slightly loosened connection with Singapore in the early twentieth century. The geographical advantage of the Riau Islands was offset by the rise of other regions in the Netherlands Indies due to the lack of diversity of exports. This was also the reason for a limited expansion of the foreland both of Johor and the Riau Islands, since imports of foodstuff also depended on Singapore. And this dependency was possibly stronger than expected, because a large proportion of the coastal trade was carried by Chinese junks and other small craft, the owners of which, through ignorance or to avoid trouble, did not report their arrival and departure.³⁴ Therefore, the trade of the three regions showed more characteristics of a regional rather than international orientation.

1910-1940

The boom of rubber and tin industries resulted in an expansion of the international market for both British Malaya and the Netherlands Indies. Singapore was transformed from a precarious entrepôt into a confident hub of expanding regional economy.³⁵ Although Johor and the Riau Islands also expanded the trade with other regions except Singapore, their internal connections were still intensified during this period.

Johor still served as the hinterland of Singapore's agricultural exports. Gambir and pepper were for the last time booming. New business was created and intensified by exports of rubber and tin ore. The emergence of the canned pineapple industry further diversified the regional export structure. The same products were exported from the Riau Islands to Singapore for the world market. In 1915, the export structure of Johor showed much similarity with the import structure of Singapore, and the share of import commodities stayed at a high level in the Singapore market: rubber (53 per cent), tin ore (five per cent), gambir and pepper (100 per cent), copra (19 per cent). Exports of forest products also emerged in this period despite of serious attempts to conserve valuable timber and other products of the state forests. Most

³⁴ ARSS (1871).

³⁵ Turnbull, *A History*, 7.

timber from Johor was exported, while a number of sawn softwood plants were imported from Sumatra and the Riau Islands. Even into the 1930s, the share of commercial agricultural products from Johor retained a stable share in Singapore's market. The situation in the Riau Islands was different because the cultivation of rubber had not yet begun on a large scale. The export structure of the Riau Islands was still dominated by gambir and copra: both gradually lost their market in Singapore. However, the importance of the Riau Islands for Singapore maintained because of the growth of transshipment of oil products from Pulau Sambu by a subsidiary of Royal Dutch Shell which were destined for Singapore.

In short, the bilateral connection between Singapore and the other two states was a continued process of intensification. In the Riau Islands, this process was slower because of the limited scale of the smallholder economy, but Singapore was still the sole market for regional produce from the Riau Islands. It was also from this period that Singapore was not the only outlet for regional export from Johor and the Riau Islands. Their outward connection had been established and reinforced.

Japanese occupation and revolutions

The Japanese occupation of this region lasted only three and a half years, but it completely destroyed existing trade networks by its aim of restructuring the pre-war economic system in order to exploit Malaya's and Indonesia's economic resources for the benefit of Japan. Externally, all international trade connections were cut off. Allied forces evacuated their vessels and blockaded the Japanese maritime connection to the international market. Under this influence, Singapore, which was controlled by Japan, lost its position as a trade centre in Southeast Asia, as well as in the world. The sole international connection with Japan, however, was also full of obstacles. Although the Japanese military government attempted to lay the groundwork for future development along these routes to Japan, the occupation was primarily a time of expedients designed to overcome short-term difficulties.³⁶ Japanese attempts to impose central control over trade received little support from the local population, and were impeded by corruption and inefficiency. In the first place, this was because Malaya was an integral part of a larger economic system, a segment of the British Empire which lacked the resources to operate in isolation. In the second, the autarchic economic policy practised in the entire region did not allow sufficient amounts of foodstuffs to be exported to Singapore.³⁷ Even the internal Asian trade suffered from transport shortages which impeded plans for industrial expansion and made it difficult to obtain supplies from overseas sources.

³⁶ Kratoska, *The Japanese Occupation*, 206.

³⁷ Twang, *The Chinese Business Élite*, 95.

The blockade of the external exports forced the Japanese military administration to focus on internal trade. As a result, the Singapore-Johor-Riau Islands region became the core of the Japanese military unit, within which the economic boundary between the former Dutch and British spheres disappeared.³⁸ Therefore, raw materials, including bauxite, tin and rubber, were produced and exported on a modest scale in Johor and in substantial quantities in the Riau Islands for Japan.³⁹ By the end of 1943, Chinese merchants from Sumatra and Singapore were in full control of the trade across the Straits of Malacca.⁴⁰ There was a remarkable local political and economic integration, especially between Sumatra and Singapore.⁴¹ Alongside the legal trade, smuggling across the Straits reached a peak. It was facilitated by the settling of *kumiai* (co-operatives), grouping of firms in the same line of business which were given quasi-monopolies over certain types of wholesale and retail trade.⁴² They were engaged in cross-Straits trade to reduce wasteful competition by forming local companies.⁴³ Karimun Island in Riau managed to evade in the trade web controlled by the Japanese. It became the unofficial trade centre of Malaya, Sumatra and Java, and was the hub of smuggling, tax evasion, and black marketeering. In March 1945, when the war was close to its end, a revealing move was made by the *Syonan-to* authorities: a Karimun branch of the Syonan Rice Import Kumiai was founded on Singapore to serve to ease the distribution of imported rice.⁴⁴

This pattern of cross-border trade remained intact in the immediate post-colonial period due to the strong demand in Singapore for items from the islands, including coconut, copra, rubber and fish. People from surrounding islands travelled frequently to Singapore to purchase goods and services. Due to the military confrontation between newly-independent Indonesia and the Netherlands, this trade had very much the character of illegal smuggling carried out by a small number of private traders. Invisible exports of rubber from the Riau Islands to Singapore were recorded at 5,825 tons in 1947, 7,919 ton in 1948 and 8,518 tons in 1949.⁴⁵ Later, the Chinese import-export organizations (e.g. the Singapore Overseas Chinese Importers-Exporters Association (SOCIEA) established after the war on 1 January 1946) were one of the most striking post-war inventions in the region. Such organizations were established not only in major entrepôt cities such as Singapore and Penang, but also in various parts of Sumatra and Java. Of crucial importance for

³⁸ *Ibid.*, 93.

³⁹ Kratoska, *The Japanese Occupation*, 4.

⁴⁰ Twang, *The Chinese Business Élite*, 90.

⁴¹ *Ibid.*, 91.

⁴² Kratoska, *The Japanese Occupation*, 165, 95.

⁴³ Kalir and Sur, *Transnational Flows and Permissive Polities: Ethnographies of Human Mobilities in Asia*, 93.

⁴⁴ Twang, *The Chinese Business Élite*, 95.

⁴⁵ *Ibid.*, 201-3.

the smuggling trade in the region were not only those in Indonesia, but also the one in Singapore.⁴⁶ Awang, a Malay teacher from Tanjung Balai Karimun, recalled that during the 1950s he was one of the richest men in his community because of the high prices his copra attracted. He would ship coconuts from Sumatra to the islands and manufacture copra, which was then sent by ship to Singapore.⁴⁷

Purposely or not, this was the period when internal connections within the Singapore-Johor-Riau Islands triangle reached its strongest momentum in political terms. Johor and the Riau Islands enhanced their positions from the periphery of British Malaya and the Netherlands Indies to the core of the 'Southern Territory'. However, in the meantime, their international connections were almost blocked. This resulted in an imbalance between regional and international trade for Johor and the Riau Islands, and an economic decline.

1947-1970s

The impact of the Japanese occupation was so far-reaching that it took a long time for post-war Malaya and Indonesia to complete the task of attaining independence and realizing decolonization. The period between the late 1940s and the mid-1950s were full of disputes, confrontation and rivalry.

In Johor, regional economic development also guided the general policy of Malaysia, which aimed at developing national economy. Trade from Johor was politically intended by the Malaysian government to be directed via domestic ports, but geographically and economically it was still passing through Singapore. At the same time, a substantial proportion of imports into Johor went to the Federation.⁴⁸ As the chief port of the Federation of Malaya, 73 per cent of total imports and 63 per cent of total exports in Malaya passed through Singapore in 1950.⁴⁹ Rubber, canned pineapple, palm oil and tin ores still retained their importance and were exported through Singapore.

Indonesia's trade experienced a similar pattern of transformation. International trade were re-created and recovered rapidly in the post-war period. Total Indonesian trade with Singapore reached a record value in November 1950. This was mainly attributable to higher prices drawing more rubber into Singapore.⁵⁰ However, Singapore exports to Indonesia showed an unsatisfactory performance in the remainder of the 1950s. Following monetary and trade reforms in Indonesia in

⁴⁶ *Ibid.*, 205-7.

⁴⁷ Kalir and Sur, *Transnational Flows*, 93-6.

⁴⁸ CSAR (1956), 79.

⁴⁹ *Ibid.* (1950), 54.

⁵⁰ CSAR (1950), 56.

August 1960, when import policy was to some extent liberalised, there was hope that Singapore's exports to Indonesia would increase. However, it appeared that import restrictions against Singapore were being lifted.⁵¹ This hope was finally shattered by the Confrontation in the early 1960s when the Riau Islanders were cut off from 'their paddies and fields' in Singapore and Malaysia. The decline of international trade did offer opportunities for the development of domestic interinsular trade. Therefore, the trade pattern of the Riau Islands showed much similarity with the situation in the nineteenth century. External links were limited to Singapore and Malaysia, but its position as a domestic entrepôt was strengthened. However, it is doubtful whether government policy had a much effect in the Riau Islands, since regional agricultural products still relied on Singapore for export, such as rubber, tin and copra. This intensification was to large extent attributed to smuggling, as well, especially during the Confrontation. It is estimated that at least 5-10 per cent of the total exports from the Riau Islands were smuggled to Singapore.⁵² It was not until 1968, when relations between Singapore and Indonesia were normalised, that things began to improve again as a result of restored cross-border mobility.⁵³ Nevertheless, 'it is hard to stop smuggling because it is traditional,' as the governor of the Riau Province, Mr Subrantas Siswanto said.⁵⁴

From a political perspective, regional connections were loosening, as indicated by the change in trade structure and the implementation of divergent government policies. This continued until the late 1960s. The pattern of trade showed a continuity with the colonial period, in disregard or violation of government intentions. Johor and the Riau Islands continued to depend on Singapore as a hinterland of export, but the trade of Singapore relied less on Johor and the Riau Islands.

3. The actors of trade connections

Both international and regional trade connections could not have been realized without the participation of people of different ethnic groups. The shift of their power in trade reflected the change of these connections. Regional trade of Singapore, with its strategic geographical position, was for a long time in the hands of Asians before the coming of British, who established it as a free port.⁵⁵ Chinese, not only the main labourers on the plantations, but also traders, were the most important among the Asians. From the 1870s, Chinese businessmen collected and transported agricultural products to Singapore where they purchased consumer goods and sold them in Singapore and adjacent Johor and the Riau Islands. In global trade,

⁵¹ Ibid. (1960), 181.

⁵² Esmara, 'An Economic Survey'.

⁵³ Kalir and Sur, *Transnational Flows*, 96.

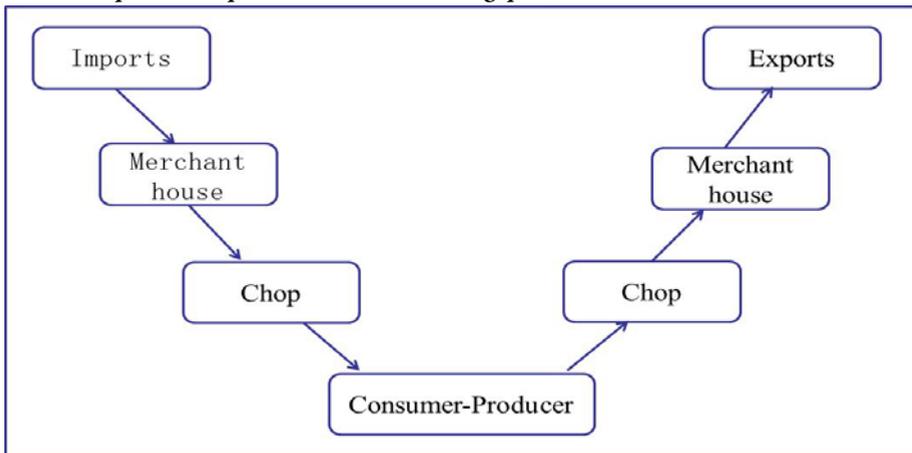
⁵⁴ *Straits Times*, 29 December 1978.

⁵⁵ Wong, *The Trade*, 73.

Europeans had dominated the international trade of Singapore since the early nineteenth century, and then expanded into the world market, acting as intermediaries between the global market and Southeast Asian markets. Manufactured goods were imported in bulk by the larger European import houses either for distribution in smaller quantities to *entrepôt* markets, or on account of local distributors. Similarly, a large percentage of bulk exports of Straits produce, such as rubber copra, forest products, spices, tea and coffee, were also handled by Europeans (Chart 3).⁵⁶

European international trade was operated through merchant firms, known as agency houses or merchant houses. Initially, in the early nineteenth century, the prime business of the agency houses was to buy and sell on behalf of principals in return for commission and other charges. Later these houses also acted as promoters and subsequent managers of joint-stock companies.⁵⁷ In Singapore, these European firms gradually set up branches in the main towns of Malaya, especially in the late nineteenth and early twentieth centuries when the local economy experienced a rapid expansion.⁵⁸ Branches of these trading companies were set up in large cities all over Asia, rather than in small towns in adjacent Johor and the Riau Islands.

Chart 3. Import and export chains in colonial Singapore, 1870s-1940s.



In this chain, the merchant acted as financier to the dealer, who, after the goods reached the consumer (he was also the producer, making payment in kind in Straits produce) in effect makes payment to the merchant in Straits Produce. Source: British Military Administration, *The Entrepôt trade*.

⁵⁶ CSAR (1956), 91.

⁵⁷ Drake, *Currency, Credit and Commerce: Early Growth in Southeast Asia*, 46.

⁵⁸ *Ibid.*, 47.

In 1897, there were 20 European import-export firms engaged in the westward trade, and this number grew to 60 in 1908.⁵⁹ Many of the European merchant houses had a long history. The firm of Guthrie & Co. is believed to be the oldest trading house in Singapore, founded in 1821 by Alexander Guthrie. Most of these companies started their business as general merchants, commission agents, contractors or shopkeepers. In the following decades, their capital penetrated into various fields. In the case of Guthrie & Co., one of its partners, Thomas Scott, took an active part in the development of the harbour works in the late 1860s and early 1870s. He was succeeded by John Anderson in 1902, one of the pioneers of the plantation rubber industry, being a man of great energy and initiative. In 1903, the firm was incorporated as a limited liability company, registered at No. 7 Battery Road.⁶⁰

These European firms were organized by a scale of capital and favoured capital-intensive enterprises. Like industrial enterprises, these firms were also concentrated in Singapore. In 1889, only eight joint stock companies were registered in Singapore. Five of them had nominal capital more than £10,000: The Borneo Steam Ship Company (£11,700), The Mahlembu Mining Company (£17,500), The Jelebu Mining and Trading Company (£26,300), The Pahang Semantan Jellei Syndicate (£40,800) and The Pahang Seran Lipis Syndicate (£221,700).⁶¹ Some trade from the Riau Islands was also conducted by Dutch trading companies. Cooperation between the British in Singapore and the Dutch in the Netherlands Indies was necessary. This was exemplified by the alliance between Royal Dutch and Shell in the exploration of oil products, part of which was transhipped from Pulau Sambu.⁶² It was the product of cooperation between the British and Dutch.

At the regional level, trade was conducted by Chinese businessmen, especially internal trade between Singapore, Johor and the Riau Islands in cooperation with the Europeans through financial credit.⁶³ The organization of Chinese business was through *chop*, a small grocery store with a wide range of activities that one would expect. Many Chinese capitalists in Singapore also extended their business in Johor and the Riau Islands but in different directions. In Johor, the initial Chinese mercantile capital usually came from Singapore, whereas in the Riau Islands, many Chinese capitalists accumulated their capital there and then migrated to Singapore.

⁵⁹ Chiang, *A History of Straits Settlements Foreign Trade, 1870-1915*, 47.

⁶⁰ *World Port Index*, 728.

⁶¹ STDS (1891), 179.

⁶² Forbes and O'Beirne, *The Technical Development of the Royal Dutch/Shell, 1890-1940*, 536.

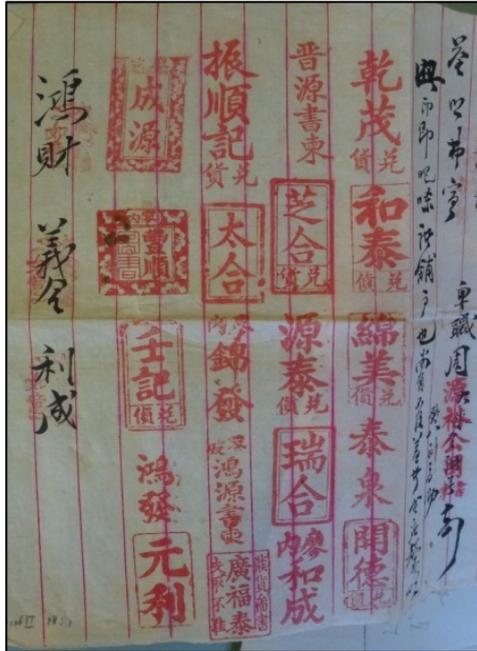
⁶³ Drake, *Currency*, 55.

The increase of Chinese trade companies was much faster than for European companies. However, in terms of scale, they were not comparable. In Singapore, one of the largest, *Chop Chin Joo* which was established in 1858, employed a total of 26 employees in 1891. The number of employees dropped to only eight in 1907. Kim Seng & Co., founded in 1840, was another notable Chinese company; it kept its 11 employees throughout its operation.

Many of these Chinese firms expanded their branches in British Malaya and the Netherlands Indies and their employees were exclusively Chinese. Most Chinese business was confined to merchants of agricultural products or agents of European companies. In 1891, there were 23 Chinese merchant firms in Muar, involved in opium, betelnut, textiles, and shopkeeper.⁶⁴ In Johor, almost

of these *chops* were engaged in gambir and pepper trading. The recorded number of these firms in Johor was 137 in 1891.⁶⁵ In the Riau Islands, apart from *chops*, they also opened another form of small shop, which was often referred to as *kedi*.⁶⁶ A paper with Chinese red seals indicates there were at least 23 Chinese *chops* operating in the archipelago in the 1870s.

If in the nineteenth century Chinese traders still showed certain dominance because of their trade in gambir and opium, then, since the 1900s, Western firms have infiltrated gradually into the regional trade, threatening the Chinese position by their number, capital and scope. The Straits Trading Company was the sole European venture into the South China Sea until the early twentieth century. But then more Westerns companies started establishing branches in Malaya. The relationship between Europeans and Chinese became both cooperative and competitive. On the



A paper of red seals of Chinese *chops* in the Riau Islands. Source: BPL 2106.28:1

⁶⁴ List of principal Chinese firms in Muar (STDS (1891), 298).

⁶⁵ STDS (1891), 296-7

⁶⁶ MvO: Riouw en onderhorigheden (1908).

one hand, Europeans needed Chinese to get familiar with the local situation. A number of Chinese thus worked as clerks in European companies. On the other hand, many Chinese *chops* had to retreat and were forced to establish their business outside Singapore because of competition. Therefore, in contrast to the long histories of Western companies, the life of Chinese firms was much shorter. Of the 53 Chinese firms in 1891 in Singapore, only 35 were still in operation in 1907. In addition, their business was conducted on a small scale, with fewer clerks and a more limited range of trade than in European firms. This situation between Europeans and Chinese was maintained until the Japanese occupation (Table 3.12), when European business was completely restricted or closed down. Chinese traders were still active, especially in the trade across the Malacca Straits. The seaborne trade between the east coast of Sumatra and Malaya illustrates the cooperation of some Chinese with the Japanese.⁶⁷ Under Japanese supervision, Chinese businessmen who were members of the *kumiai*, were able to engage in the import-export trade between Singapore, Indonesia and Malaya.⁶⁸ Many of them acted as *danbangke* – a small trader personally escorting goods from one place to another, or a travelling trader working on his own – engaged in smuggling, a measure of risk, smallness of scale, irregularity, and non-specialization. These individual one-boat traders were the key to the trade and connected different regions with each other.⁶⁹

From the 1920s, a number of Japanese firms emerged, showing an interest in trade in the Malay Peninsula. In Johor, they dominated all trade with Japan. The Japanese occupation marked the end of dominance of European merchant houses. Based on Singapore and encouraged by the army, various kinds of trans-strait economic organizations were formed to explore natural resources in this area.⁷⁰ As a consequence, tremendous opportunities opened up for a more popular participation in linking the ports scattered throughout the region for the transport of these commodities and to distribute food and other necessities.⁷¹ In September 1942, about 40 pre-war import-export firms were competing in sending vessels to Sumatra and the Riau Islands to buy local produce such as coffee and beans. Four months later, the number of import-export firms was reported to have greatly increased.

Many of these firms were still active in the post-war period in all the three regions with diversified business, such as the finance of industries. As the influence of European trades declined, by Chinese *totok* traders became predominant in the inter-island trade of the wider region of Southeast Asia, in particular Hokkien – whether from Java, Sumatra, the Riau Islands, or Malaya. In the Riau Islands, Jambi,

⁶⁷ Twang, *The Chinese Business Élite*, 99.

⁶⁸ *Ibid.*, 95.

⁶⁹ *Ibid.*, 97.

⁷⁰ *Ibid.*, 94.

⁷¹ *Ibid.*, 93.

and the east coast of Sumatra, the Teochew also played an important, though lesser, part in the maritime economic activities.⁷² This situation did not change much up to the 1970s when most of the trade activities in the Riau Islands was still dominated by ethnic Chinese traders, who relied heavily on the money market of Singapore and Malaysia.⁷³

The Indian community specialised in textiles and sundry goods, and to a lesser extent in fancy goods, spices and foodstuff.⁷⁴ So did the Malays. However, compared to Westerners (including Japanese) and Chinese, Indian and Malay capitalists performed a rather limited role in regional economic development. Many of them were Malay nobles, especially sultans and their fiefs. The Malay rulers not only received an allowance from the colonial government, but also acquired economic benefits by land lease. Therefore, they did not have much incentive to undertake capital investment.

The endeavour to develop national economies in the three countries after the war brought indigenous Malays to the foreground. Nevertheless, their inherent disadvantage in business meant that ethnic Chinese still played a more important role in regional trade, although they were rather identified as the citizens of Singapore, Malaysia and Indonesia.⁷⁵ Despite the heavy influence of Chinese entrepreneurs in business in post-war Singapore, the government did fear the affinity of regional ethnic Chinese with Communist China.⁷⁶ In Johor and the Riau Islands, Chinese and a few indigenous businessmen continued their regional and interinsular trade under political guidance. In Tanjung Uban in the Riau Islands, the lucrative trade of rubber and primary products to Singapore by way of smuggling relied completely on Chinese.⁷⁷ The open economy of Singapore allowed foreign companies to conduct both international and regional trade. A number of historic European trading houses still flew their flags,⁷⁸ such as The Straits Trading Company with its dominance of the Malaya tin trade, and the Metal Box Co. of Malaya Ltd., which dominated canned pineapple export. Concerning the regional entrepôt trade, this was dominated by Chinese merchants who owned medium and small-sized firms (Table 3.10).

⁷² Ibid., 98.

⁷³ Esmara, 'An Economic Survey'.

⁷⁴ CSAR (1956, 1960).

⁷⁵ Lyons and Ford, 'Citizenship and Belonging at Indonesia's Margins'.

⁷⁶ Kwong, *Industrial Development in Singapore, Taiwan, and South Korea*, 13.

⁷⁷ Ng, *The Chinese*, 42.

⁷⁸ CSAR (1956).

Table 3. 10. Expansion of business firms in Singapore in 1891 and 1907.

Name	Description	1891			1907		
		Clerk	Agency	Chinese worker	Clerk	Agency	Chinese worker
Alsagoff & Co. (European)	Merchants, commission agents, land owners	12	-	0	17	-	1
Guthrie & Co. (European)	Established in 1821. Merchants	22	15	13	72	85	51
Katz Brothers (European)	Established in 1864. Merchants, commission agents, storekeepers, watchmakers	22	15	14	72	22	37
The Straits Trading Company (European)	Established in 1887. Merchants, commission agents	20	-	-	97	-	8
Lee Cheng Yan (<i>Chop</i> Chin Joo) (Chinese)	Established in 1858. Merchants, commission agents	26	1	26	8	-	8
Kim Seng & Co. (Chinese)	Established 1842	11	-	11	10	-	10
Little Hohn & Co. (European)	Established in 1845. Merchants storekeepers	25	11	0	44	69	0
Said Marican & Co. (Malay)	Dubashes, contractors, commission agents and stevedores	11	7	0	9	10	0

Source: STDS (1891, 1908).

The different roles of these traders and trade agents in this pattern of commerce created a clear dichotomy between them at different levels. Broadly speaking, the Europeans performed a wholesale trade function and the Asians a retailing one.⁷⁹ European merchant houses and Chinese *chops* were not separated from each other but cooperated extensively. Many owners of Chinese *chops* were also on the board of European firms, or employed as assistants, clerks, etc. The two networks connected at

⁷⁹ Drake, *Currency*, 47.

Boat Quay and the Tanjung Pagar wharves where Westerners and Chinese exchanged their commodities.⁸⁰ Nevertheless, the trading pattern remained stable until the post-war period when there were changes both in the political regime and in economic policies. The rise and fall of these different ethnic groups indicates the changing trade connections. Generally, the Europeans represented the international links with the world market, whereas Chinese carried on internal links with Singapore-Johor-Riau Islands. From this perspective, both international and regional connections were stronger in the colonial period than in the immediate post-war era.

4. Concluding remark

It may be assumed that all trade – local, interregional or international – is carried on because the partners involved all expect to gain some advantage from it.⁸¹ It was the regional comparative advantages that caused the trade flows between Singapore, Johor and the Riau Islands: Singapore's free port policy and market facilities, Johor and the Riau Islands' richness of agricultural produce and mineral deposits, and their geographical proximity. However, such a mutual connection also created an imbalance: intensive trade activities between Singapore and the other two, but very limited trade between Johor and the Riau Islands.

Concerning the type of trade, external and internal trade are distinguished here. The difference between them is reflected by the distinction between Europeans and the indigenous (especially Chinese population). European agent houses dominated all international trade with the Western world, whereas regional trade was handled by Chinese merchants. During the colonial period, the cooperation between these two ethnic groups facilitated both types of trade. The intention to eliminate their economic power in post-war Malaysia and Indonesia destroyed the previous regional network and forced the connections to function with great difficulty. Nevertheless, the pre-war pattern still to a large extent remained. The rise and decline of Western and Chinese capital and capitalists thus mirrored the changes in their relationship. Therefore, as argued by Evers, the feature of regional trade network was precisely reflected by local ethnic and social organization.⁸²

The traded commodities that constituted the trade flows experienced great changes, showing the intensity of trade connections. In the colonial period, gambir and pepper, rubber and minerals successively played an important part in connecting this region with the world market. As a result, the hinterland position for Johor and the Riau Islands was intensified by the booming expansion of the export of these

⁸⁰ Chiang, *A History*, 47.

⁸¹ Courtenay, *A Geography*, 10.

⁸² Evers, 'Traditional Trading Networks of Southeast Asia'.

commodities. Both international and regional connections of the triangle area were strengthened. The outbreak of the Pacific War cut off international connections, but internal connections reached their strongest point under Japanese military administration. After the war, internal connections were gradually loosened, each region seeking its own market access through domestic ports. Nevertheless, trade activities between them could not disappear, showing a continuity of the colonial pattern, either formally or informally.

Chapter 4

Shipping Connections and a Spatial Network

If trade flows from an abstraction of a regional network, it is the transportation system that makes the network tangible and visible. Unlike regions where roads are the main arteries of communication, trade and migration in the Singapore-Johor-Riau Islands triangle depended, and still depend, heavily on shipping. It was because there were virtually no roads in British Malaya in the 1870s, not to mention the Riau Islands.¹ This chapter deals with the dynamic maritime relations between Singapore, Johor and the Riau Islands in creating a spatial network.

Historically, regional maritime activities benefited substantially from the strategic geographical location of this area as a gateway between the South China Sea and the Indian Ocean. As early as the sixteenth century, both Chinese and indigenous *Orang Laut* were engaged in junk shipping, forming an important part of the Dutch East India Company (VOC, *Vereenigde Oostindische Compagnie*) network. Their activities were considered an important component of the intra-Asian network, in which commodities from adjacent regions were shipped and stored here for exchange. This led to the rise and prosperity of regional ports such as Muar, Batu Pahat, Kota Tinggi and Mersing in Johor, and Tanjung Pinang and Karimun in the Riau Islands,

¹ Leinbach, 'Transportation and Development of Malaya'.

although they were not comparable to modern ports in size.² The regional importance was further enhanced by the foundation of Singapore in 1819, which became the largest entrepôt in the Asia-Pacific region in the first half of the nineteenth century under the auspices of the British laissez-faire ideology of free trade.³ Although its position was severely threatened by the rise of Hong Kong in the 1840s when international shipping between China and Europe showed more preference to this newly opened British port, Singapore managed to maintain its leading position as a centre for both international and regional (trans)shipment by directing its attention to Southeast Asia. Under British administration, local legislation was provided for the licensing of various cargo and passenger vessels which plied the territorial waters of the colony. Large steamships operated by European shipping companies conducted regular passenger and freight services to Burma, colonial Indonesia, Thailand, Sarawak, North Borneo and the Federation of Malaya, whereas the indigenous sailing craft and fishing vessels of Chinese residents carried cargo between Malay and Indonesian ports.⁴

Although they were both part of the shipping network of Singapore, Johor and the Riau Islands reacted differently to the rise of Singapore because of the different political authorities in the two areas. In Johor, undeveloped inland communication made sea route the only reliable means for transport which was encouraged by the British colonial administration to such an extent that there was a busy traffic of 'prahus, sampans, larchans, pukats and tongkangs' delivering regional produce.⁵ This situation created sufficient opportunities for the rise of seaports in Johor where rivers were navigable up to the inland plantations and major towns were served by ships from Singapore.⁶ By contrast, the survival of once bustling ports in the Riau Islands was seriously threatened. The Riau Islands were intended by the Dutch colonial government to become a competitive regional port cluster in order to re-take and protect the trade and shipping of the Netherlands Indies. Great endeavours were tried such as the designation of Tanjung Pinang as a free port as early as 1829. The duty-free area was extended to the entire Riau Islands in the twentieth century.

From the differing perspectives of Singapore, Johor and the Riau Islands from the 1870 onwards, the central questions of this chapter are:

How did regional shipping activities develop? Internally, how did their mutual connection form a regional spatial network in the context of either cooperation or competition?

² JAR (1932).

³ More discussion in Huff, *The Economic Growth*. Wong, *The Trade*. Fang, *Strategy of Economic Development in Singapore*.

⁴ CSAR (1956), 200-1.

⁵ Lim, *Johor*, 59.

⁶ JAR, (1932).

1. General trend of maritime development

Although sharing relatively similar geographical conditions, the maritime development of the three regions followed very different paths that were subject to various socio-political changes during the period under study. Just as with the political development, so we have divided the shipping development into four periods.

Steady growth: 1870-1910s

In spite of the lack of detailed statistics, it is widely accepted that there has been a brisk traffic across the Straits of Johor to Singapore ever since regional history began to be recorded. Shipping in the early period was entirely managed by Chinese and European merchants and the small shipping companies they operated. Up to the turn of the twentieth century, there were a growing number of coaches and steam launches running daily to Singapore, and a telegraph line was constructed between Johor Bahru and Singapore port.⁷ Although traditional small sailing vessels still continued to ply the waters between the coast of Johor and other places in the Asia-Pacific Rim, shipping between Johor and Singapore had a dominant share showing a strong regional orientation.

Shipping development in Singapore and the Riau Islands is visualized in Figures 4.1 and 4.2. In Singapore, the total number of vessels arriving and departing increased 2.7 times from 1870 to 1891, with a growth rate of 4.9% per annum. In terms of total tonnage, the growth rates were higher at 6.2%. Differing from Singapore, where an uninterrupted and stable growth took place, the development of shipping in the Riau Islands showed another trend with more dramatic fluctuations, particularly after 1885. Measured by the number of vessels, the growth rate was much slower, around 1.5% per annum. The growth rate of total tonnage was also much higher at 4.5% per annum. It was even higher than the average growth rate of 3.7% for the whole The Netherlands Indies.⁸

The difference between their growth rates in terms of number and tonnage provides a direct means to picture the gradually enlarging gap in shipping capacity between Singapore and the Riau Islands (Table 4.1). The ratio of Singapore to the Riau Islands fluctuated between 20 and 26 in the last decades of the nineteenth century, but rose to 59 in 1905, indicating the growing deviation between the two. This can be explained by the introduction of steamers.

⁷ Great Britain, *Trade*, 77.

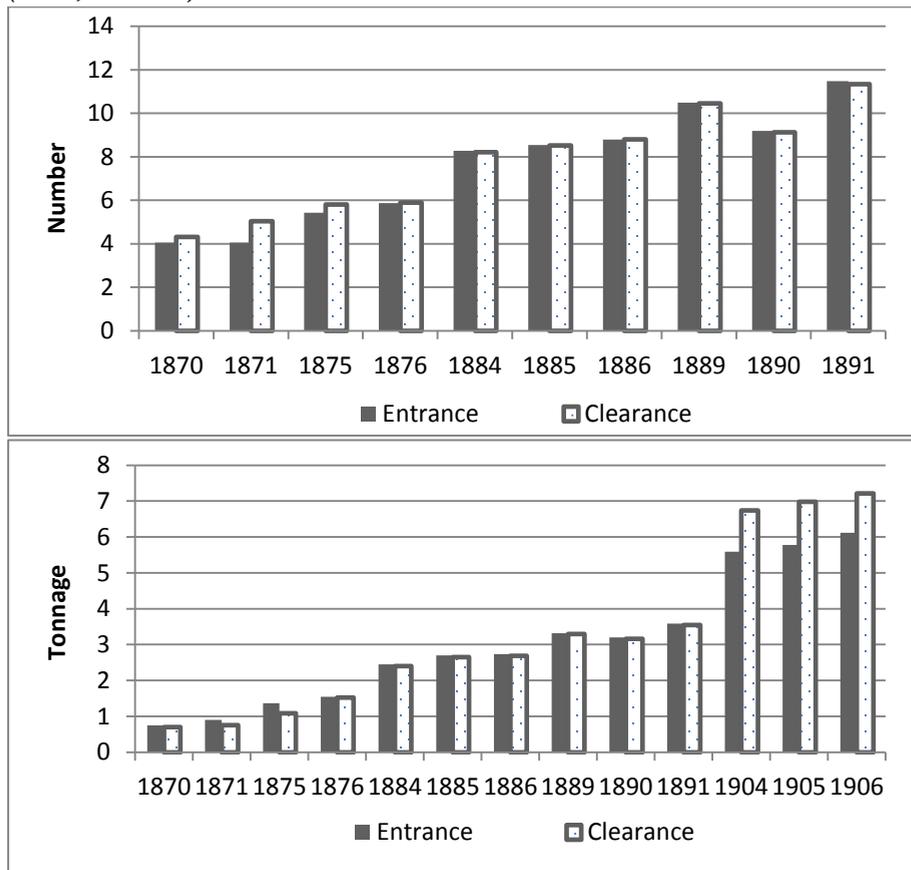
⁸ CEI, vol. 15, 18.

Table 4. 1. Ratios of total tonnage in shipping between Singapore and Riau Islands (including Indragiri), 1870-1905.

Year	1870	1871	1875	1885	1890	1905
Ratio	20	24	26	20	23	59

Source: Appendix xviii, Appendix xxvi.

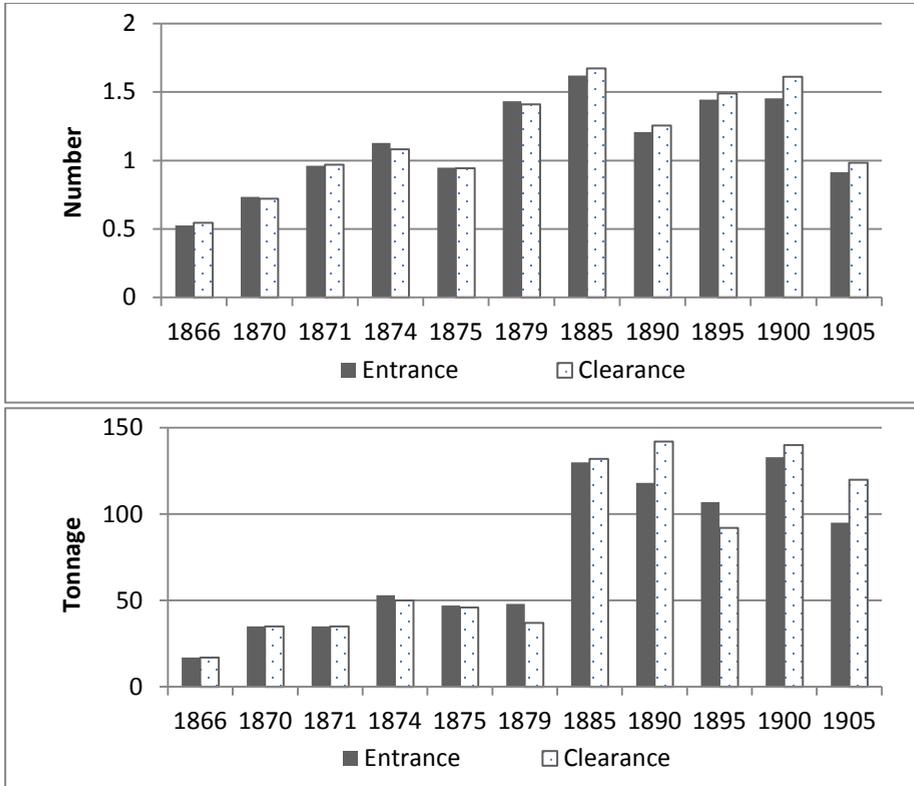
Figure 4. 1. Number and tonnage of vessels clearing into and out from Singapore, 1870-1906. (thous., mill. n.r.t.)



Source: Appendix xviii.

Figure 4. 2. Number and tonnage of vessels clearing into and out from Riau Islands (including Indragiri), 1866-1905.

(thous., mill. n.r.t.)



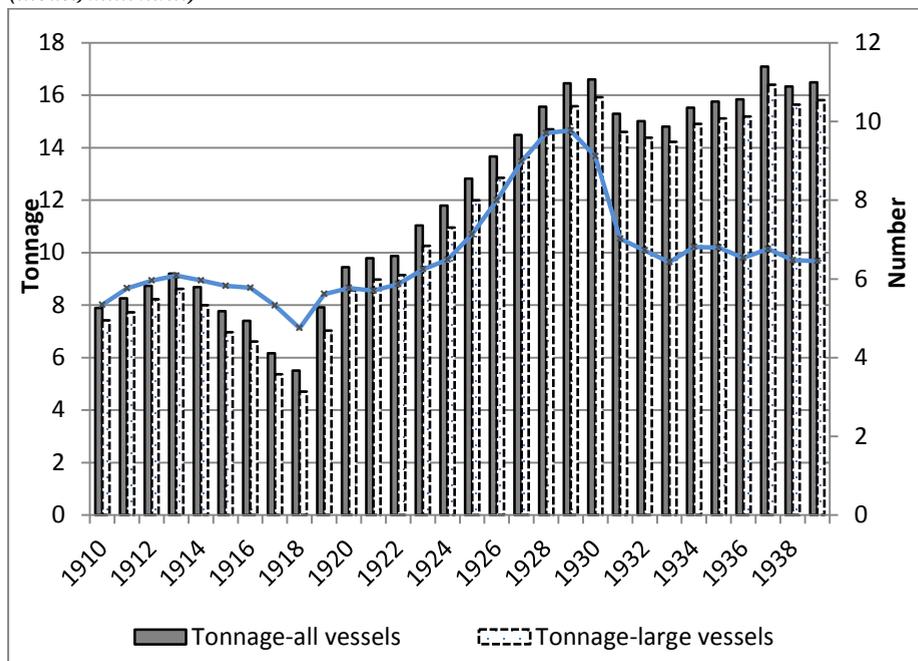
Source: Appendix xxvi.

Deviation: 1910s-1940s

Singapore's shipping in the first half of the twentieth century was recorded with an average growth rate of 2.4% per annum in terms of total tonnage. This was not a steady growth, as it was impeded by the First World War (1914-1918) and the economic depression of the 1930s. From 1913 to 1918, total tonnage of vessels clearing out from Singapore declined by nearly 50 per cent. A similar picture can also be observed in the 1930s as a result of the world economic crisis. However, even during the period between these two big events, the stable political and economic environment did not naturally result in a shipping boom. From 1918 to 1939, a moderate c.5.5% average growth rate was achieved both in number and tonnage. Technological progress was still taking place in the 1930s as large vessels gained a

dominant share among the total number of ships (Figure 4.3). This suggests a continuation of the original technological advantage of Singapore.

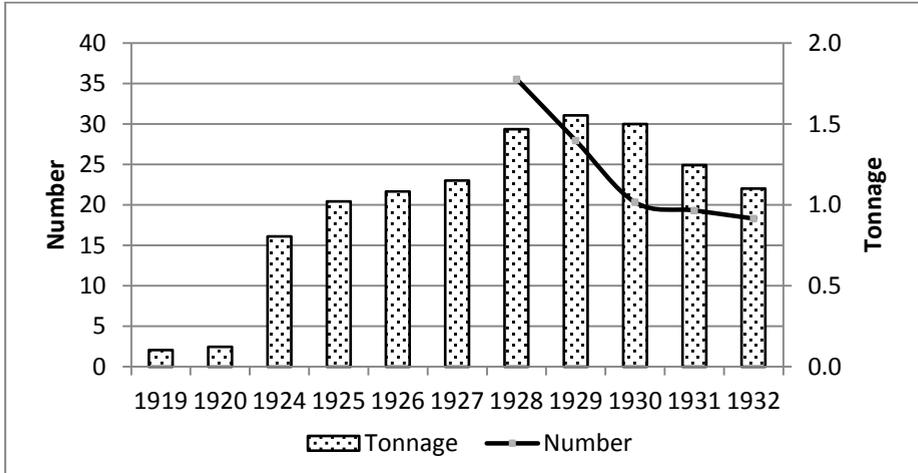
Figure 4. 3. Number and tonnage of vessels clearing out from Singapore, 1910-1938.
(*thous., mill. n.r.t.*)



Source: Appendix xx.

The story is different in both Johor and the Riau Islands. Statistics for Johor are only available for a short period, but offer a rather different impression of the expansion of international shipping compared to the earlier period. Total tonnage of ocean-going steamers rose from 401,878 tons in 1924 to 619,715 tons in 1931 at a growth rate of 6.4% per annum (Figure 4.4). The rapid development of shipping was due to the arrival of Japanese steamers coming for mineral ores. At the same time, regional shipping along the Malay coast also increased following the emergence of plantation agriculture which required marine and riverine transport in places such as Muar, Batu Pahat and Mersing, where there were insufficient road facilities and no bridges over the rivers. Although the period supported by the statistics is not long, a rapid expansion can be assumed due to the expansion of estate agriculture and Japanese mining business in the state.

Figure 4. 4. Number and tonnage of vessels clearing into and out from Johor, 1919-1932.
(thous., mill. n.r.t.)



Source: Appendix xxv.

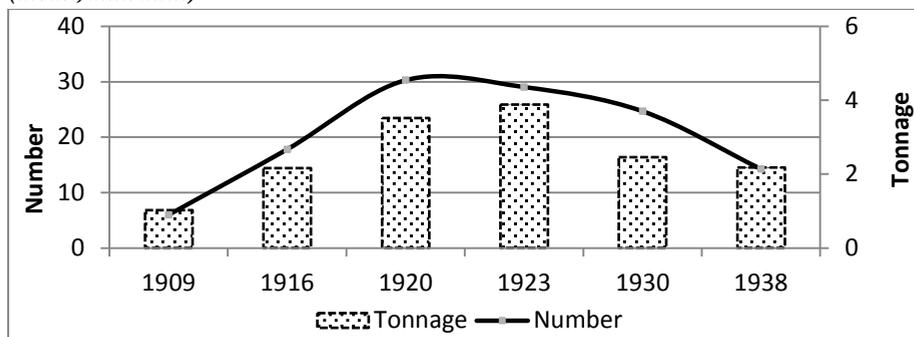
In the Riau Islands there was a sudden increase of shipping activities compared to the pre-1910 period as a result of the registration of shipment from Pulau Sambu for the oil transshipment of the BPM. The small island served as the third largest refinery centre of the BPM in the Netherlands Indies. A growth rate of 6.4% per annum was achieved between 1909 and 1938. Different from Singapore, shipping in the Riau Islands did not feel the negative influence of the First World War too much, whereas the Depression of the 1930s did result in the decline of total shipping (Figure 4.5).

In order to give the details of shipping in the Riau Islands, we are focusing on the separate activities in Pulau Sambu and Tanjung Pinang, the two most important ports in this area (Figure 4.6). The former was a purely transit port for BPM carrying international shipping, while the latter acted as a regional port in the South China Sea. Shipping in Pulau Sambu shows much similarity with that of Singapore, whereas Tanjung Pinang followed a relatively independent path. The difference between the two Riau Islands ports gave the archipelago a dual character, that, shipment of oil products to the world market exposed the Riau Islands directly to the international economy, whereas the shipment of traditional agricultural products and minerals showed the continuity of regional orientation.

With regard to the ratio of tonnage, attributed to the arrival of Japanese steamers in Johor and transshipment of Pulau Sambu, Johor and the Riau Islands experienced higher growth rates than Singapore. The gap between these two regions and Singapore gradually narrowed, but still remained quite large (Table 4.2).

Figure 4. 5. Number and tonnage of vessels clearing into and out from Riau Islands, 1909-1938.

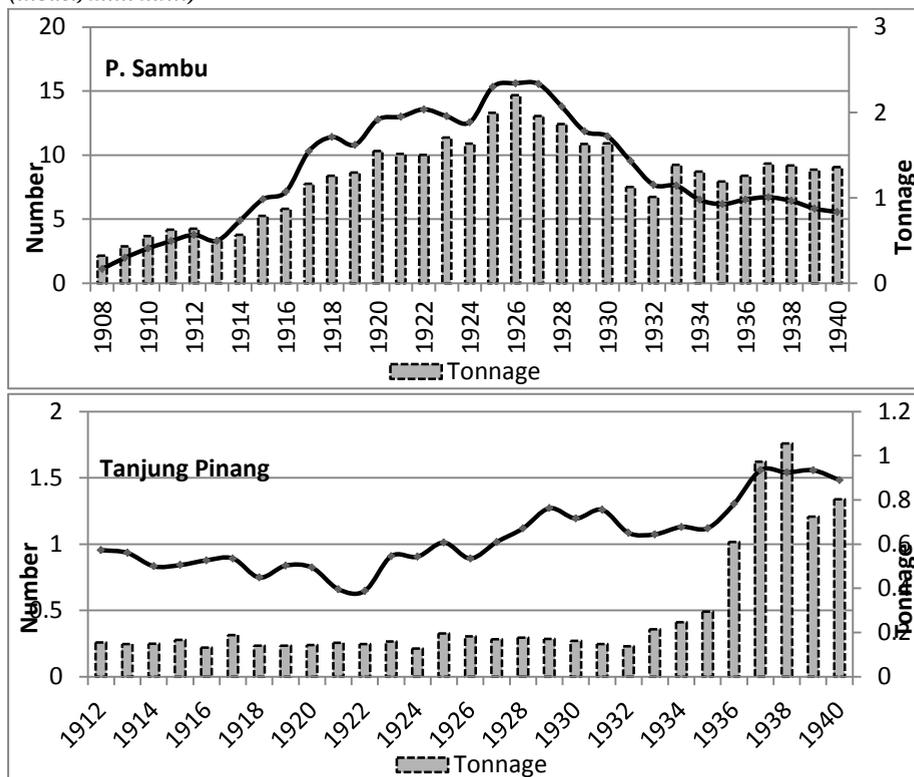
(thous., mill. n.r.t.)



Source: Appendix xxvii.

Figure 4. 6. Number and cargo-carrying capacity of vessels in Pulau Sambu and Tanjung Pinang, 1908-1940.

(thous., mill. n.r.t.)



Source: Appendix xxix.

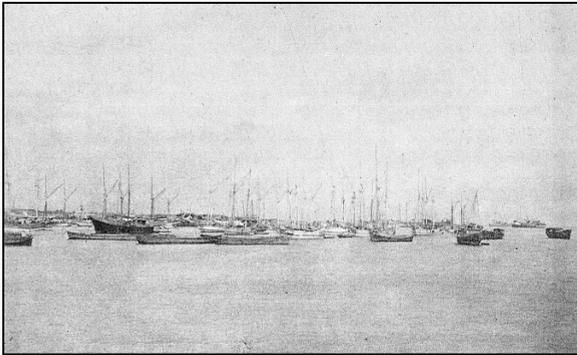
Table 4. 2. Ratios of total tonnage in shipping between Singapore and Johor, and between Singapore and Riau Islands, 1909-1938.

Year	1909	1920	1930	1938
Singapore/Johor	-	152	22	-
Singapore/The Riau Islands	15	5	14	15
Singapore/The Riau Islands (excluding Pulau Sambu)	26	10	41	41

Notes: Estimated figures of Singapore's total tonnage.

Source: Appendix xx, Appendix xxv, Appendix xxii, Appendix xxvii.

War and revolution



The Bugis fleet in the waters of Singapore during the war to carry trade due to insufficiency of steamships.

Source: SYB (1947).

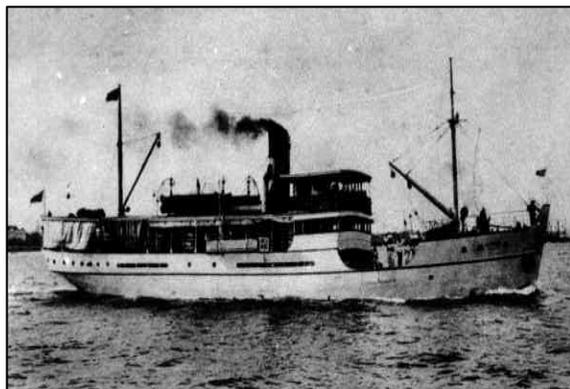
The Japanese occupation brought an interruption to the shipping movements in this area, especially east-west shipping which was completely blockaded under the Japanese policy of forbidding resources to be supplied to the Western hemisphere.⁹

Correspondingly, the British evacuated many ships operating in Malay waters or took them into the Royal

Navy or National Armed Force (NAF). In case of the Straits Steamship Company (SSC), only six of the 31 ships of the company taken by the British government managed to survive.¹⁰ This led to transport shortages plaguing Malaya during the occupation, hampering internal trade, impeding plans for industrial expansion and making it difficult to obtain supplies from overseas sources.

⁹ Yoji and Mako, *New Perspectives on the Japanese Occupation in Malaya and Singapore, 1941-1945*, 134.

¹⁰ Tregonning, *Home Port Singapore: A history of Straits Steamship Company Limited, 1890-1965*.



Steamship *Jarak* of the SSC, sailed to Batu Pahat to rescue 1,000 soldiers who had been trapped there in 1941.

Source: Tregonning, *Home Port*.

vessels which were sunk by the Allies. Nevertheless, there was still an acute shortage of shipping capacity compared to the pre-war situation.¹² This is demonstrated by comparing shipping statistics of Singapore for 1939 and 1948, when a significant reduction of some 60 per cent took place. Meanwhile, the lack of steamships to carry on trading during the war gave an opportunity for a temporary resurgence of traditional sailing vessels, especially by Bugis, although their ships were already old and damaged.¹³

Decolonization

A recovery took place immediately after the Pacific War. Guided by different governments, all three countries pursued different policies. In Johor and the Riau Islands, regional statistics are not available, so we have to infer the local pattern from national trends.¹⁴ In Singapore, total tonnage of merchant vessels clearing out increased from 21.5 million tons in 1952 to 78.3 million tons in 1971, a growth rate in excess of 6.8% per annum (Figure 4.7). In Malaysia, rapid growth can also be observed. However, in Peninsular Malaysia, immediate post-war performance did

¹¹ Kratoska, *The Japanese Occupation*, 16-161.

¹² Ibid.

¹³ CSAR (1947), 15.

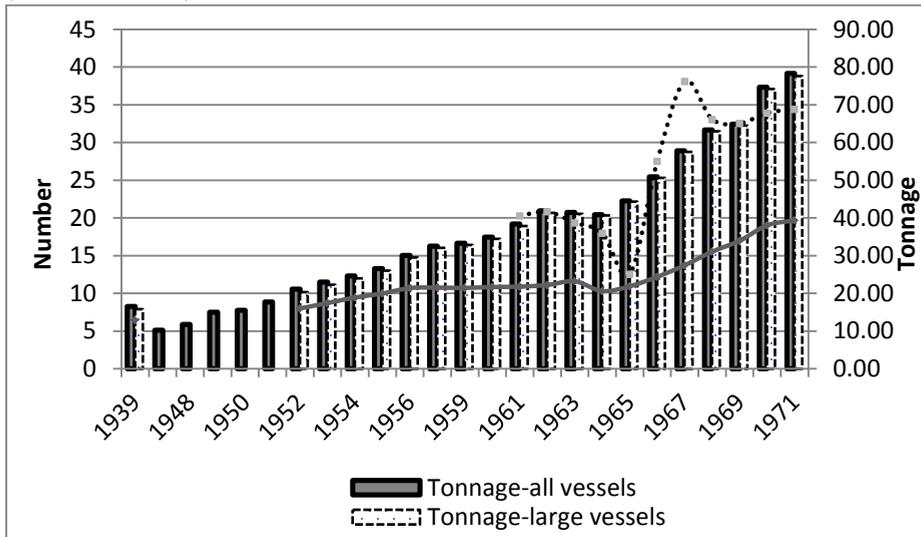
¹⁴ Between 1957 and 1962, the total shipment of Sumatra had a stable share from 38 to 40 per cent in the total shipment of Indonesia. Excluding the large ports of Palembang and Belawan, the rest of Sumatra had a share of around 16 per cent in the same period (See, SI (1963)). Thus, it is possible to observe Riau at the national level. Similarly assumed, Johor followed the same trajectory of Malaysia as it was subject to the national reconstruction plan.

The Japanese military administration took various measures and conducted salvage operations in the waters around Singapore to overcome these limitations, but transport still remained a major obstacle to economic development and the conduct of the war, and few cargo ships operated in

Malayan waters during the latter part of the occupation.¹¹ By September 1942, the Japanese claimed to have recovered 94 cargo

not show much improvement compared to the period of Japanese occupation, and the situation even deteriorated in the 1950s. Rapid expansion was only witnessed in the 1960s (Figure 4.8). Nevertheless, the performance of Malaya lagged behind Singapore. In Indonesia, two periods are defined by the cessation of service by the KPM (*Koninklijke Paketvaart-Maatschappij*) in Indonesia in December 1957 (Figure 4.9). The first period was characterized by a recovery of the KPM as indicated by a growth rate of 4.1% per annum in terms of registered tonnage and 3.4% for freight. Decolonization forced the re-establishment of national shipping from a very low point of departure through the government-owned PELNI (Indonesian National Shipping Company).¹⁵ Nevertheless, great progress was achieved by the Indonesian government in recovering the marine sector, which is indicated by the rapid increase in the number of vessels and their registered tonnage, corresponding to growth rates at 7% and 6.4% per annum respectively (Appendix xxx). Moreover, there was also a difference in the pattern of shipping of the three nations. In Singapore, more attention was paid to international shipping, whereas in Malaysia and Indonesia, government policies were more domestically focused.

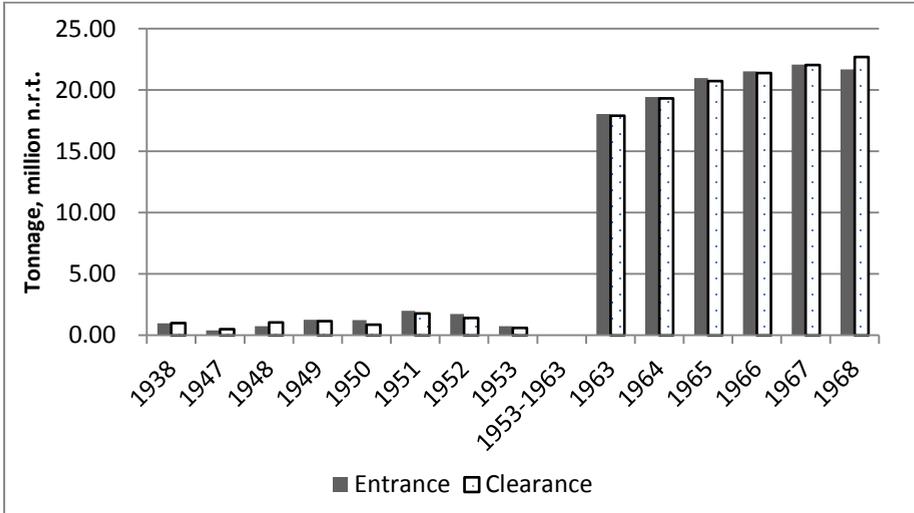
Figure 4. 7. Number and tonnage of merchant vessels clearing out from Singapore, 1939-1971. (thous., mill. n.r.t.)



Source: Appendix xx, Appendix xxi.

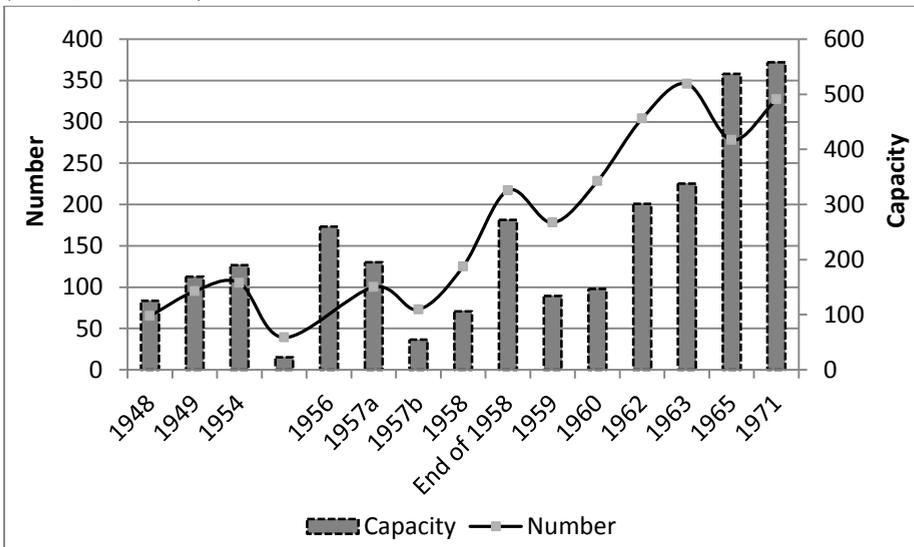
¹⁵ 'Inter-Island Shipping'.

Figure 4. 8. Total tonnage of vessels in Peninsular Malaysia, 1938-1968.
(mill. n.r.t.)



Notes: 1938-1953: not including shipping between West Malaysia and Singapore
 1963-1968: including shipping between West Malaysia and Singapore.
 Source: Appendix xxiv.

Figure 4. 9. Registered number and tonnage of shipping in Indonesia, 1940s-1970s.
(thous., thous. n.r.t.)



Source: Appendix xxxii.

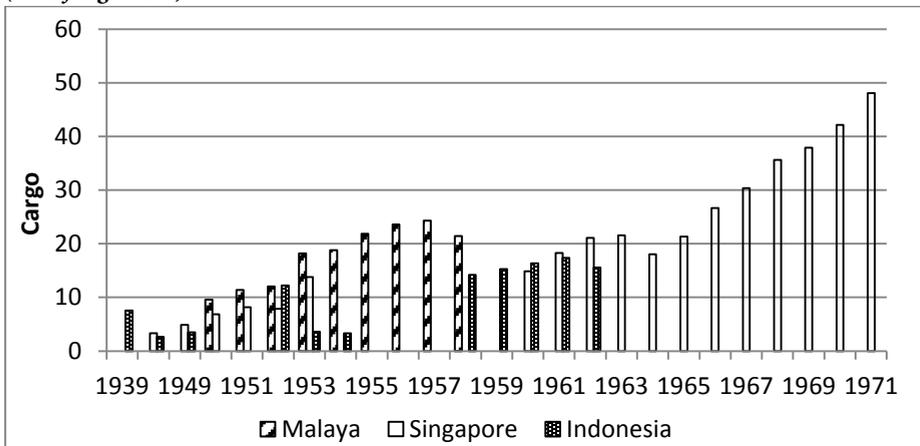
For a comparative view, we also need to take into consideration the total cargo loaded and unloaded (Figure 4.10). Cargo handled in Singapore showed a similar

pattern with the development of total tonnage: a steady recovery before the 1960s and a rapid expansion afterwards. In the entire Malaya, including both Singapore and Peninsula, cargo handled in the 1950s increased fast. By contrast, in Indonesia, growth was much slower, which reveals that both Singapore and Malaysia underwent a more favourable maritime development than Indonesia during this period.

The trends at the national level can also be applied to the regional level. For Johor, the recovery of trade reflected continued demand for shipping and other transport. A recovery of shipping could also be expected. For the Riau Islands, we have to bear in mind that the recovery and progress achieved by the Indonesian government at the time showed a strong concentration on Java. Considering the low participation of the region in the recovery (Appendix xxiii), national progress seemed to have nothing to do with the Riau Islands, although the Indonesian government was still in a difficult situation. Shipping performance in the Riau Islands hence seemed by no means promising, except in smuggling, which was always out of government control. This is further testified by Table 4.3, which shows total cargo handled at different levels. It is not difficult to spot the gap between Singapore and the rest. This gap was comparable to the situation in the nineteenth century! There was a similar pattern of shipping performance in the period of early imperialism as in the Riau Islands after the war.

Figure 4. 10. Total cargo loaded and discharged in Singapore, Malaya and Indonesia, 1939-1971.

(mill. freight tons)



Source: Appendix xxxiii.

Table 4. 3. Total cargo (excluding oil) handled in Southeast Asia in 1961. (thous. freight tons)

Region	Handled freight	Ratio to Tanjung Pinang
Singapore	18,258	429
Indonesia	17,382	408
Malaya (excluding Singapore)	6,000	14
Sumatra	7,506	18
Riau	912	2
Tanjung Pinang	426	1

Source: SI (1963).

2. Shipping connection of Singapore-Johor-Riau Islands

The mutual connections between Singapore, Johor and the Riau Islands are defined by shipping movements between their ports. Although we cannot deny the existence of shipping activities between Johor and the Riau Islands, there is reason to focus only on the Singapore-Johor connection and the Singapore-Riau Islands connection. With regard to the transport system of Singapore and Johor, the Singapore-Johor Causeway, completed in 1923, was the first land link between Peninsular Malaysia and Singapore, and strengthened the bilateral connection between Johor and Singapore.¹⁶ Regional shipping created a Singapore-Johor-Riau Islands network, while international shipping connected this network to the world shipping network. Both networks were formed by the operation of shipping companies of various ethnic origins.

1870-1910

Since the nineteenth century, the development of new maritime technology had changed the global maritime network. In Asia, numerous new ports were opened such as Hong Kong, Macassar, and Belawan in Deli in northeast Sumatra. Direct shipping routes were established with services between Indochina and France in the mid-nineteenth century, between the Netherlands Indies and the Netherlands in 1881, later between the Netherlands Indies and China, Australia and Africa.¹⁷ Under these conditions, the previous position of Singapore as an entrepôt between East Asia and Southeast Asia, was severely undermined. This resulted in a shrinkage of

¹⁶ For detailed information about the construction of the causeway, see Johore State Rly. (Construction: Causeway), CAOG10/50,

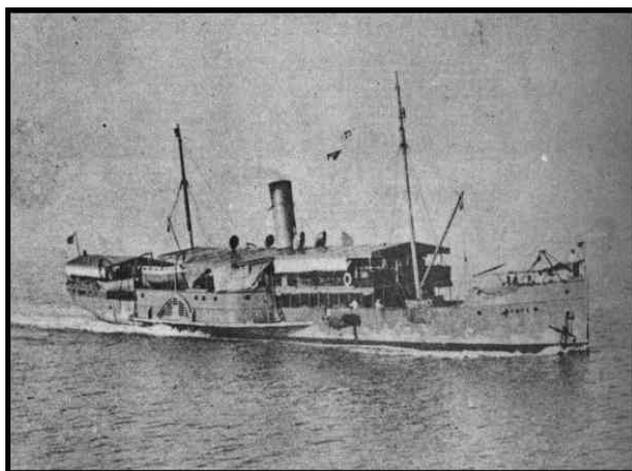
¹⁷ British Military Administration, *The Entrepôt Trade of Singapore*, 12.

Singapore's extra-Malay hinterland as these regions were connected to the rest of the world directly. By contrast, Malay states began attracting greater interest after the establishment of effective British colonial rule.¹⁸ Apart from international shipping connections of Singapore with the West, there were also local crafts and sails with small tonnage navigating between Singapore and local small ports. They strengthened Singapore's connections with the regional markets. (Table 4.4).

Table 4. 4. Steam connections between Singapore and regional destinations in 1891.

Port	Frequency	Line or steamer	Agents in Singapore
Batu Pahat	2 per week	Chinese steamers	Tay Geok Teat
Batu Pahat	2 per week	Chinese steamers	Goh Siew Swee & Co.
Muar	1 per week	'Bengkalis'	Wee Bin & Co.
The Riau Islands	Fortnightly	KPM	J. Daendels & Co.
The Riau Islands	Daily	Chinese steamers	-
Singkep	Monthly	KPM	J. Daendels & Co.

Source: STDS (1891).



Steamship Kaka, used in Singapore-Malacca-Muar service.

Source: Tregonning, *Home Port*.

Shipping in Johor in this period can be characterized as exclusively regional, used to carry people and commodities between Johor and Singapore. For a long time, shipping of Johor was conducted by sailing vessels. This pattern did not change until the establishment of the Johor Steam Ferry Boat Company in 1875, which introduced a new stimulus. The ferry of

¹⁸ Ibid.

this company left the Singapore side at Woodlands and arrived on the Johor side at a pier located east of Sungai Segget, which was therefore called Pier Kuala Segget. On the other side of the river, the disembarkation point nearest town was Tangga Duke.¹⁹

The expansion of this pattern of shipping arose from several new changes in this region. Politically, from the second half of the nineteenth century the Malay Peninsula saw a rapid penetration of British colonial rule which gradually brought the peninsula to the foreground, characterized by far more intensive sea and inland traffic connections. In Johor, where a significant British influence had not been felt yet, the vast inland territory was still controlled by the indigenous Malay rulers. Nevertheless, the geographical proximity of the capital, Johor Bahru, to Singapore, and the intimate personal relationship of Sultan Abu Bakar and Sultan Ibrahim with the British colonial government led to the Johor's orientation towards Singapore. For almost all produce from Johor, Singapore was the port of shipment.²⁰

Also, the expansion of the estate economy resulted in a large demand for ships to transport agricultural products from the plantations, where inland transport was still poor.²¹ Bridges were lacking across major rivers, and there was much difficulty in extending roads to the plantations in the interior. In addition, railway construction commenced piecemeal on the west coast from the 1880s to transport bulk commodities, but the railways had not yet been extended to Johor during this period.²² Therefore, this situation gave an opportunity for the rise of port cities on the west coast of the state, such as Muar and Batu Pahat, and some inland cities on the river estuaries such as Kota Tinggi. On the west coast, shipping activities also existed, but on a much smaller scale, since mining products such as tin, iron and bauxite near Mersing were not yet exploited on a large scale. There were frequent shipping services from these places to Singapore, either along the coast or on navigable rivers in the state. Therefore, in the process of British political administration and colonial extension, and as a result of the trade development, Johor showed a high dependency on Singapore, resulting in a close relationship between the two. This suggests an intensified maritime connection with Singapore and a borderless spatial network of the Singapore-Johor region in this period.

¹⁹ Lim, *Johor*, 60.

²⁰ Great Britain, *Trade*, 78.

²¹ Kirby, 'Johore', 249.

²² Shamsuddin, *Malayan Railway, 1885-1985: Locomotive Centennial*, 11.

Table 4.5. List of shipping companies operating in Riau Islands in 1898.

<i>Dutch Flag</i>
Resident Schiff Baroe, Goaan Ho Bi (Tanjung Pinang) Sailed between Tanjung Pinang and Singapore
Emily, Goaan Ho Bie (Tanjung Pinang) Sailed between Tanjung Pinang and Singapore
Sri Wang Sie, Oey Tek Seng, Goaan Ho Bie (Tanjung Pinang) Sailed between Tanjung Pinang, Lingga and Singapore
Singkep, Singkep Tin Maarschappij (Singkep) Regulated navigation between Singkep, Tanjung Pinang and Singapore
<i>Foreign Flag</i>
Alan, Raja Ali (Penjingat (the Riau Islands)) Sailed between Singapore and places in the Riau Islands
Seneng Hati, Nederlandsch-Indische Getahpertja-Maarschappij (Lingga) Sailed between Singapore and places in the Riau Islands.
Boon San I, The Yok Tiat (Singapore) Sailed between Singapore and places in the Riau Islands
Ladjoë, Oei Soei Kiat (Singapore) Sailed between Singapore, Karimun, and Tanjung Pinang
Sri Peng Gay, Oey Sim Eng (Singapore) Sailed between Singapore, Tanjung Pinggir and Pulu Bulah
Hok Hoa, Gho Thjing Kho (Singapore) Sailed between Singapore, Batam and Karimun
Soeltana, Nang Tji (Singapore) Sailed between Singapore, Batam and Karimun
Sri Babi, Oei Liong Hing (Singapore) Sailed between Singapore and Karimun
Sri Kedah, Tjia Tjoe Yoe (Singapore) Sailed between Singapore and Karimun
Bennit, Go Toh, Pong (Singapore) Operated weekly service between Singapore and Rengat (Indragiri)
Aing, Go Toh, Pong (Singapore) Operated weekly service between Singapore and Rengat (Indragiri)
Tarfalla, Gaggino, Go Toh, Pong (Singapore) Operated weekly service between Singapore and Rengat (Indragiri)
Ho Sang, Tjia Tjoe Yoe (Singapore) Operated two day-service between Singapore and Karimun

Source: KV (1898), 209.

Although the Riau Islands experienced rapid growth of both international and interinsular shipping of the Netherlands Indies as well, this network was much smaller than Singapore's. Although the Dutch colonial government intended to attract shipment to Riau without passing Singapore, the effect of Dutch measures was rather limited, since ships of the Riau Islands destined for Singapore were still in a dominant position. The share of Singapore kept growing in the decades after 1870. Shipment to Singapore had a dominant share (c. 80 per cent) in the total in the mid-nineteenth century. During the following decades, this network had gradually shrunk with ports in foreign countries disappearing from the shipping network of Riau Islands, with the exception of Singapore. The position of the entire the

Riau Islands as an entrepôt was maintained but only in the waters of the Netherlands Indies and Singapore (Table 4.5). Therefore, we perceive a gradually convergent maritime foreland and a gradually reduced hinterland of the Riau Islands as domestic shipping routes were directed to Singapore.

These shipping routes were piled by vessels of various shipping companies established by different ethnic groups. In 1866, of 178 vessels belonging to Singapore, registered under Act of Parliament – schooners, barques, brigs, junks and sailing ships – 58 belonged to Europeans, Indians and Malays, while the rest were owned by

Chinese.²³ Singapore lay at the heart of this network, connected to the world trade routes by large steamships which were completely in the hands of Europeans and through the large shipping companies based there. In 1894, a total of 45 steam ship companies were recorded in Singapore.

Among them, the SSC began with a nominal capital of £1.2 million. The Borneo Steam Ship Company was founded with a nominal capital of £12,000. Apart from British capital, there were also many other European firms operating regular services to Singapore. The German *Norddeutscher Lloyd* benefited from a decision by Bismarck, the German Chancellor, in 1884 to subsidize services in the Far East. French lines, notably the *Messageries Maritimes*, were also regularly calling at Singapore, as were Scandinavian and Italian ships.²⁴ There was one Chinese shipping company engaged in international shipping: the China Merchants Steam Navigation Company, established with Chinese capital in 1872. However, it does seem that this company was established with money from the government of Qing Dynasty rather than Singaporean Chinese private capital.

In the Netherlands Indies, steamship navigation was monopolized first by the NISM (*Nederlandsch-Indische Stoomvaart Maatschappij*, Netherlands Indies Steamship Company) and then by KPM. The relationship between these European shipping companies was dynamic and competitive. With regard to international shipping, in around 1850 the Dutch had a share of 75 per cent against 10 per cent for the British. Stepping into the twentieth century, following a series of liberal measures which encouraged free competition, the percentage fell to 35 per cent for the Dutch and rose to 50 per cent for the British, although later on the Dutch share increased to 40 per cent, and the British declined to 30 per cent.²⁵

Unlike European dominance in international shipping, regional shipping was mainly operated by Chinese and indigenous Malays.²⁶ Many of these shipping companies started with very limited use of steamships. Instead, there were a number of Chinese junks and other small ships sailing in the waters of the Malacca Straits.²⁷ Because regional ports were too small to attract European steamers and because Chinese were more familiar with regional conditions, the Chinese gradually got hold of the monopoly to regulate prices. They promoted their business and strengthened regional connections, and played a supplementary role next to the Europeans.²⁸ Among them, the firm of Gho Siew Swee & Co. or *Chop Ban Ann* had been established at this time (1860s), as general merchants and shipowners, by Goh Siew

²³ Song, *One Hundred Years' History*, 119.

²⁴ Tregonning, *Home Port*, 11.

²⁵ CEI, vol. 15, 22.

²⁶ *Ibid.*, 19.

²⁷ ARSS (1871).

²⁸ Tregonning, *Home Port*, 22.

Swee, a China-born Chinese. The business rapidly developed, and the firm became the owner of several small steamers plying between this port and the neighbouring Dutch and British possessions.²⁹ The most well-known firm was Wee Bin & Company operated by Wee Boon Teck who, until his death at age 38 in 1888, had the largest locally registered shipping fleet, with 16 ships in Singapore.

In the Riau Islands, most of the owners of these small shipping companies were Singapore-based. Very few of them were in the hand of Malays. In 1867, 52 Chinese *kangkar* (settlements in river valleys) in the Riau Islands had a total of 109 ships, among them, 59 large vessels (*sampan poekat*)³⁰, 30 sampans, and 20 other ships made by Western countries. It is worth noting that, up to the early twentieth century, another two Singaporean Chinese jointed the shipping business, operating daily small steam navigation between the Riau Islands and Singapore. One was Seah Eu Chin, who employed various junks that visited from time to time, practically the entire coast of the Malacca Straits, the islands in the Riau Archipelago, the east coast of the Malay Peninsula and Singapore.³¹ Another was called Tio Hoe Lay, who had been engaged in shipping between Pulau Tujuh and Singapore with one or two steamships.³² He was born in China in 1853 and went to the Natuna and Anambas Islands, where he got into the copra trade at the age of 25. After several years, he became the owner of the steamers *Aing Hong*, *Flevo*, *Batavier* and *Benuit*, and acted as the consignee of ships belonging to other Chinese owners.³³ These Chinese activities exemplified Singapore's intensified connections with the Riau Islands.

The relationship between the Europeans and Chinese was also dynamic. The European shipping companies did not stop their penetration into regional shipping. This can be observed by the shipping routes established by the KPM across the whole archipelago to transport passengers and government goods. The shipping routes radiating from ports in the Riau area, particularly Tanjung Pinang, strengthened connections of the Riau Islands with the outside world. However, the maritime network had also undergone great changes in this period. In general, there was a gradually intensified shipping network in this region. Up to 1891, among the 13 regulated KPM shipping routes (with branch routes), four stopped at Tanjung Pinang in the Riau Islands.³⁴ However, the extension of the KPM shipping service had a serious effect on the survival of small Chinese shipping companies. Many of them

²⁹ Song, *One Hundred Years' History*, 143-4.

³⁰ http://resourcessgd.kb.nl/SGD/18931894/PDF/SGD_18931894_0000845.pdf

³¹ Song, *One Hundred Years' History*, 19-20.

³² MvO: Riouw en onderhorigheden (1908).

³³ Song, *One Hundred Years' History*, 350.

³⁴ A`Campo, *Engines of Empire: Steamshipping and State Formation in Colonial Indonesia*, 67.

stopped operations or were annexed by European shipping companies, reflecting the vulnerability of the Chinese network.³⁵

If the expansion of the KPM in the Riau Islands reflected the competition between Europeans and Chinese, the European-Chinese relationship in British Malaya showed some cooperation. In case of the SSC, its seven directors in the year of its establishment were Tan Keong Saik, Tan Jiak Kim, Lee Cheng Yan, A. P. Adams, D. J. Mathens, J. Burkinshaw and a Dutchman, T. C. Bogaardt.³⁶ Tan Jiak Kim was on the board of directors for more than 20 years.³⁷ Moreover, one of the grandsons of Tan Tock Seng, named Lee Pek Hoon, was assistant manager of the SSC.³⁸ With regard to the vessels of the company, three out of its five ships, *Hye Leong* (406 tons), *Malacca* (404 tons) and *Billiton* (335 tons), were contributed by the Tan family, navigating along the west coast of the Malay Peninsula in the early twentieth century.

Except for spatial differences, the distinction between the Europeans and Chinese can also be observed in terms of technology. In 1891, when the KPM began its operations, Chinese shipping companies were the largest competitor in the Netherlands Indies. But this changed dramatically after several decades when European shipping companies took a leading position because of their comparative advantage in technology and capital. The rivalry between the British and the Dutch gave an opportunity for Chinese and indigenous firms to operate short-distance regional shipping neglected by the Europeans.

In the case of Singapore and the Riau Islands, this is shown by the comparatively complete statistics of numbers of ships and their tonnage (Table 4.6). Although not all data is available, an estimate can be obtained for a long-term trend based on formulas displayed in Figure 4.11. The four diagrams in Figure 4.11 show a much faster quadratic growth of tonnage of ships clearing in and out compared to the growth in number, which was a linear growth path. However, hesitation about using steamers reduced the Riau Islands' competitiveness in long-distance shipping.

Table 4.7 presents the tonnage/number ratios of Singapore and Riau in this period. It shows the regional deviation in their capacity as indicated by the prevalence of steamers. The increasing proportion of steamers used in Singapore in long-distance international navigation against the limited use of steamers in the Riau Islands, explains the gap between international shipping and regional shipping. The hesitation in using steamers in the Riau Islands was not only due to the relatively insignificant economic importance, but also by the short-route but high-risk navigation across the Singapore Straits with its shallow waters, reduced visibility and

³⁵ MvO: Riouw en onderhorigheden (1908).

³⁶ Tregonning, *Home Port*, 6.

³⁷ Song, *One Hundred Years' History*, 197-8.

³⁸ *Ibid.*, 66.

other hazards.³⁹ Many of the steamers used by Chinese shipping companies were old steamers purchased from European companies; therefore, this limited scale of shipping reflected the gap in technology between the Chinese and the Europeans.

Table 4. 6. Comparative size of European and Chinese shipping companies in Singapore in 1907.

Name	Number and tonnage	Connecting area
P. & O. Steam Navigation (European)	58 steamers 398,985 tons	Britain, Spain, Portugal, India, China, Australia, Japan, Singapore
Norddeutscher Lloyd, Bremen (European)	13 steamers 97,166 tons	Britain, the USA, Germany, Australia, Singapore
'Glen' Line of Steam Packets (European)	9 steamers 40,843 tons	Britain, South America, India, China, Japan, Malaya
KPM (European)	51 steamers 80,340 tons	Netherlands, NEI, Siam, South Pacific, Mauritius, China, Australia, Singapore
Koe Guan Co. (Chinese)	14 steamers 5,248 tons	NEI, Malaya, Singapore
Soon Keck Limited (Chinese)	2 steamers	Malaya, Singapore

Source: STDS (1907).

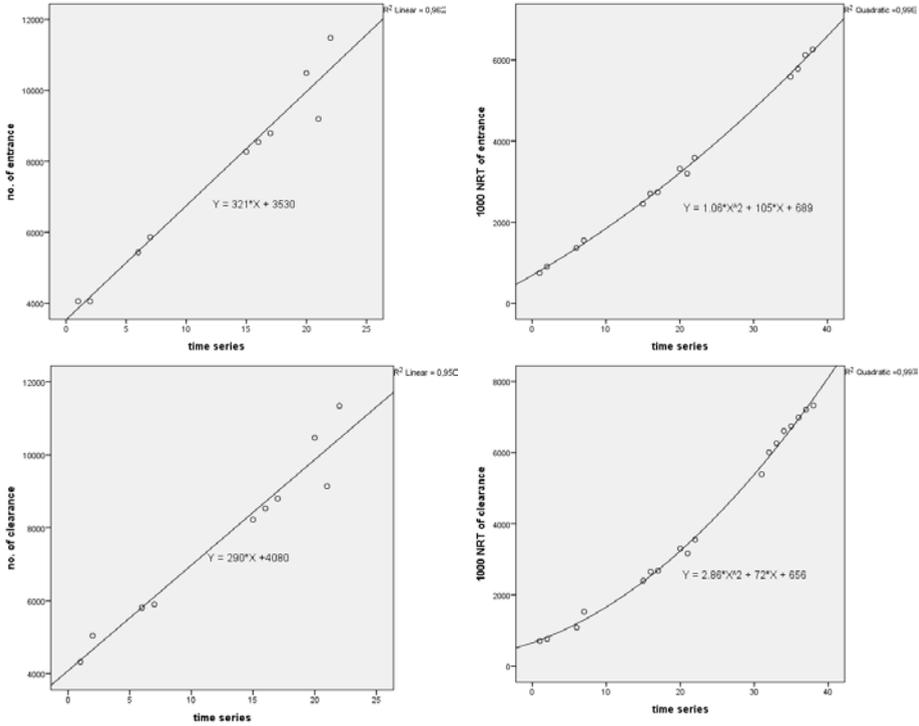
Table 4. 7. Average tonnage in Singapore and Riau, 1866-1905.

	1866	1870	1871	1874	1875	1879	1885	1890	1895	1900	1905
Riau	32	48	36	47	49	30	80	106	68	89	113
Singapore	-	173	183	-	218	-	314	-	-	347	-

Source: Appendix xviii, Appendix xxvi.

³⁹ Thompson, 'Shipping Routes—An Eastern Maze'.

Figure 4. 11. Estimated growth of number and tonnage of vessels based in Singapore, 1870-1910.



Note: in the time series, 1870=1.

To sum up, the maritime network of Singapore expanded rapidly by establishing various links with both foreland and hinterland, particularly the Malay Peninsula, including Johor, which acted exclusively as the hinterland of Singapore. This resulted in a gradually intensified bilateral connection between the two of them. By contrast, the Riau Islands performed as the hinterland of Singapore on the one hand, and served its own maritime foreland on the other. The Riau Islands-Singapore connection was strengthened by frequent small-scale shipping between them, but from Singapore’s perspective, this relationship was not the same case. The regional shipping connection between Singapore and Johor was supported by the British because of the aim of British colonial government to create a unified Malay world, whereas the Dutch colonial government wanted to direct regional shipping away from the Riau Islands to Batavia, rather than leaving it oriented towards Singapore. The dichotomy between international shipping and regional shipping resulted in Singapore showing a process of gradual internationalization, whereas Johor became more regionalized towards Singapore and the Riau Islands remained reluctant vis-à-vis Batavia. Neither Johor nor the Riau Islands had much external connection with regions outside Asia but only indirectly through Singapore and Batavia.

1910-1940s

In the twentieth century, Singapore's role as a staple port with the Malay Peninsula as its hinterland and as an entrepôt in Southeast Asia was reinforced. Demand for rubber, mining products and oil products from the world market called for Singapore to offer a higher shipping capacity, which in turn required more frequent shipping navigation between Singapore and its hinterland. In order to provide this, in 1931 and 1932 Sir Cecil Clementi, governor of the Straits Settlements, urged for a customs union in British Malaya, arguing that trade with the peninsula was a much higher proportion of the total Singapore trade. Therefore, port facilities in Singapore were considerably improved. It meant a minimum of delay or restriction to entry and export or re-export of goods delivered by both European and Asian merchant fleets for all of Southeast Asia. The development of regular shipping services to ports in outer, but adjacent, areas led to a convenient distribution of shipment to the final destination, so merchants operating their business in Singapore could easily increase their knowledge of the requirements of consuming countries and improve their ability to meet the standards required by those countries. Singapore's port could also provide identical rates of freight between European and ports in Southeast Asia. The port provided auxiliary activities such as shipbuilding, bunkering, ship's chandlery, lighterage and stevedoring and created employment for a large number of people. Modern developments in communication, including an advantageous spread in time zones, enabled Singapore to be informed of London prices in time for the next day's trading, whereas local prices could be transmitted to London in time for the opening of that day's market. As a result, Singapore remained the natural centre for collection and distribution of export goods for a considerable part of the archipelago. The volume of shipping passing through Singapore was of greatest importance, both internationally and locally.⁴⁰

However, in Johor, there was not only regional shipping, as in the nineteenth century but also emerging international shipping direct to Japan without passing Singapore. In Muar in 1919 and 1920, the share of ocean-going steamers and coasting steamers in total tonnage cleared in and out was around 65 per cent and 35 per cent respectively. Since most of the ocean-shipping was Singapore-oriented and the river steamers were used for domestic connections, their relative share indicates the strength of the relationship to Singapore. In Batu Pahat, there was average of one steamer daily calling at this port from Singapore. In Endau in 1920, the total tonnage of ships entering was 7,492 tons. However, from the late 1920s, there were Japanese steamers calling at Batu Pahat for iron transported directly to Japan. Thus the

⁴⁰ British Military Administration, *The Entrepôt Trade*, 12-5.

Johor-Singapore shipping connection was continually intensified, but Singapore was not the exclusive marine foreland of Johor.

Nevertheless, it is hard to assess whether the importance of Singapore for Johor was undermined during this period because of the extensive construction of inland traffic of both railway and road. Long before the twentieth century, several plans had already been proposed to develop the railway network to (1) suit the needs of rubber companies to transport products from the Malay states to Singapore for processing and export; and (2) to carry tin from the mines in Perak and Selangor for smelting in Penang and Singapore.⁴¹ However, these proposals were not seriously realized until the formation of the Federated Malay States Railways (FMSR) in 1901, although there had already been several fragmented railway systems along the west coast up to the end of the nineteenth century. In Johor, several individual railways were constructed for commercial use. The first railway connected Johor Bahru and Gunung Pulai, a distance of 20 miles, in 1869. Coming into the twentieth century, more serious and effective measures were taken to extend and connect existing railways. In 1900, a line linking Muar and Parit Jawa was completed, although the construction of another line connecting Johor Bahru and Segamat failed to materialize. In 1904, an agreement was signed with the FMSR for the construction of a railway line between Gemas and Johor Bahru. Railways in the southern Johor State were finally included in the Malaya network through a route to Singapore in 1909. This was initially by ferry, then by rail over the causeway which was completed in 1923, providing the final link in the Malayan road and rail transport system.⁴²

Railway construction also stimulated inland road traffic for transporting commodities and people to the railway stations. In the early 1900s, roads in Johor were extended from the coastal to the inland area, although there was still poor traffic connection between Batu Pahat, Muar and Johor Bahru other than by sea.⁴³ In 1926, 'Branches from the road strike the railway at Renggam, Kluang, Pulai, and Segamat.' 'From a point some 10 miles from Johor Bahru a new road branches off, and passing Gunong Pulai on the south strikes the west coast at Pontian Besar, and then runs along the coast to Batu Pahat via Benut.' 'The remaining road, from Kluang on the railway to Mersing, on the east coast is of interest, as it is the only road in Johor which is not at present flanked by cultivation throughout the greater portion of its length, and passes through the real virgin jungle in the heart of the country.'⁴⁴ Although the roads in Johor were poor compared to Malacca, Selangor, and Negri Sembilan, they were being improved as soon as funds would permit. And the

⁴¹ Kratoska, *The Japanese Occupation*, 21.

⁴² Shamsuddin, *Malayan Railway*, 11. See also 'Johore State Rly. (Construction: Causeway)', CAOG10/50.

⁴³ Leinbach, 'Transportation'.

⁴⁴ Kirby, 'Johore', 249.

government aimed at completing the west coast road and the Batu Pahat by-pass, followed by feeder to the railway in north Johor.⁴⁵

Both railway and road systems of Johor were connected to Singapore by the Singapore-Johor causeway which became a great boon, because it permitted the running of through-train services from Thailand to Singapore without an exceedingly annoying and uneconomic transshipment, and it also gave a great stimulus to the motor car industry, as planters from upcountry could not deliver their goods directly to the merchant houses in Singapore by road.⁴⁶ As a result of the extension of the inland road and rail system, transport by sea declined and the landing ports fell out of use. The Straits of Johor were no longer a sea lane since ships could no longer pass through and only small boats could go through the lock. Although coastal sailing vessels still called at Sungai Seggat, its importance as a port declined, since goods could be more conveniently and more cheaply transported by road and rail.⁴⁷ In general, however, the Johor-Singapore connection in this period was much stronger than ever before.

Table 4. 8. International connections of Pulau Sambu in 1919.

Shipping route	No. of vessels	Total tonnage in M ³
Arubay -> Sambu -> Colombo	1	1,009
Sambu -> Singapore -> Calcutta	2	9,578
Sambu -> Singapore	50	88,344
Sambu -> Penang	1	385
Sambu -> Siam	13	17,794
Sambu -> Saigon	9	13,375
Balikpapan - Sambu - China (Shantou, Xiamen, Fuzhou, Shanghai)	1	3,152
Sambu - Tamsui - Hong Kong	2	3,233
Sambu - Manila	1	3,233
Sambu - Australia (Adelaide, Sydney)	3	19,539
Tanjung Pinang - Singapore	189	190,925
Tanjung Pinang - Siam	1	4,112

Source: SHS (1919).

⁴⁵ Ibid., 250-1.

⁴⁶ Ibid., 251.

⁴⁷ Lim, *Johor*, 137.

A similar diversification also took place in the Riau Islands. In the Netherlands Indies, the KPM operated 134 ships, calling at all major and most minor ports in the Netherlands Indies as well as Penang, Singapore, and occasionally Bangkok. In 1940, it carried 5.1 million tons of cargo, far exceeding that of all other shipping companies in the Netherlands Indies combined. Apart from Dutch mightiness, British shipping also had a strong presence. It was represented by Anglo-Saxon Petroleum, a private company owned by Shell and Royal Dutch. It was engaged in transporting surplus oil from the Pangkalan Brandan refinery in North Sumatra to Pulau Sambu and reshipping to ports outside Indonesian waters. A large number of steamers called at this port for the transshipment of kerosene, benzene, gasoline, and fuel oil to the global world. Therefore, only around 60 per cent of the vessels, with around 55 per cent of total tonnage, were directed to Singapore from Pulau Sambu (Table 4.8).

In the Riau Islands, the share of shipment to and from Singapore declined significantly compared to the previous period when almost all shipping had been Singapore-oriented in the Riau Islands. But with respect to the whole archipelago, the majority of non-oil shipment was still directed to Singapore because of geographical proximity. In Tanjung Balai (Karimun), all vessels sailing beyond the Netherlands Indies were destined for Singapore. And in Tanjung Pinang, the only destination outside the Netherlands Indies except Singapore was Thailand. In Penuba, which was the origin of the tin exploration from Singkep, most of the vessels were directed to Bangka and Billitong, from where these products were transported further to Singapore (Appendix xxviii).

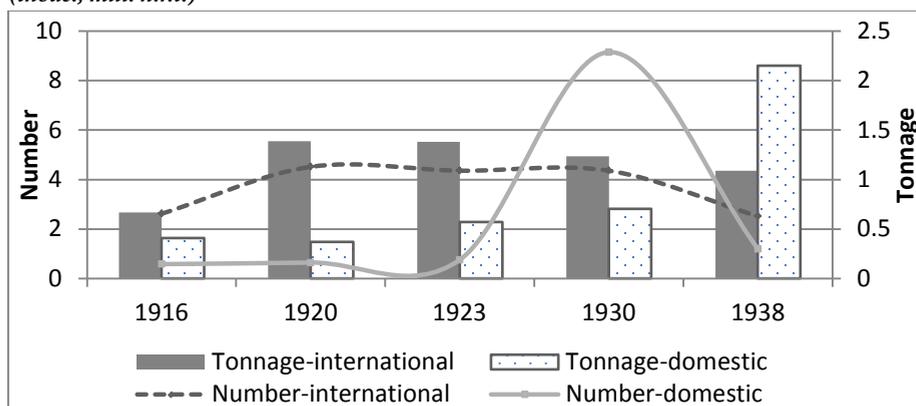
At the same time, domestic interinsular shipping navigation within the Netherlands Indies expanded. This can be exemplified by the continuous expansion of the KPM network (Table 4.9), in which Penuba and Terempa gradually became involved, though only in domestic shipping. However, their importance was too insignificant to represent a regional pattern. In Tanjung Balai (in Karimun), both international shipping to Singapore and domestic shipping within the Netherlands Indies expanded rapidly, but shipping to Singapore was larger in terms of total tonnage, whereas national shipping was more important in terms of numbers. Pulau Sambu and Tanjung Pinang were the largest ports in the Riau Islands, representing a division between international and domestic shipping. In Pulau Sambu, international shipping to Singapore expanded much faster than domestic shipping, while Tanjung Pinang showed a reverse pattern. Together with the rise of Tanjung Uban, we may assume a growing importance of domestic shipping rather than shipping to Singapore (Figure 4.12). Therefore, the shipping network of the Riau Islands during this period expanded, while Singapore still played the largest role in the shipping network. From a comparative perspective, the importance of Singapore for the Riau Islands was still as considerable as in the late nineteenth century.

Table 4. 9. KPM shipping routes passing Riau Islands in 1940

K.P.M. Line 3: Batavia – Tanjung Pandan (Billiton) – Tanjung Pinang (Riau) – Singapore	
K.P.M. Line 3a: Batavia – Tanjung Pandan (Billiton) – Muntok (Bangka) – Tanjung Pinang (Riau) – Singapore	
<hr/>	
K.P.M. Line 4b: Batavia – Toboali – Koba – Pangkal Pinang – Sungai Liat – Belinyu – Jebus – Mentok – Tanjung Pinang	
K.P.M. Line 4c: Mentok – Palembang – Tanjung Pinang	
K.P.M. Line 4d: Tanjung Pinang – Mura Saba – Jambi	
K.P.M. Line 4e: Tanjung Pinang – Prigi Raja	
<hr/>	
K.P.M. Line 5: Surabaya – Cheribon – Batavia – Mentok – Tanjung Pinang – Belawan Deli – Edi	
<hr/>	
K.P.M. Line 6a: Tanjung Pinang – Tambelan – Pontianak	
K.P.M. Line 6b: Tanjung Pinang – Anambas Islands – Natuna Islands	
K.P.M. Line 6c: Tanjung Pinang – Tambelan – Singkawang	

Source: CEI, vol. 15, 1D, 119.

Figure 4. 12. International and domestic shipping in Riau Islands, 1910s-1930s.
(thous., mill. n.r.t.)



Source: Appendix xxvii.

The dynamic shipping networks of Singapore, Johor and the Riau Islands were reflected by changing relations between different ethnic groups. In general, the more aggressive expansion of European shipping companies in this period resulted in transport dominated by Western shipping companies in British Malaya and the Netherlands Indies, whereas Chinese shipping companies gradually lost their importance and faded out because of fierce competition. In British Malaya, nine

coastal lines operated in the 1930s, six of which were Chinese-owned or operated by Chinese. However, most of the regional shipping companies had to surrender to the Europeans, especially to the SSC for the agreement of freight rates.⁴⁸ The SSC was linked to Straits Trading, the largest tin-smelting company, as well as to an increasing number of Chinese mines.⁴⁹ This also happened to a Muar-based Chinese shipping firm, the Hua Khiow Steamship Company, which owned *Najam* and *Hua Tong* (280 tons). It was acquired by the SSC in the 1930s.⁵⁰ Wee Bin & Company was acquired by Ho Hong Steamship Company (founded by Lim Peng Siang in 1914), which in turn was purchased by the SSC in 1932. The surrender of the Ho Hong Steamship Company to the SSC marked the decline in importance of Chinese shipping in the Malay Peninsula. With a total gross tonnage of 38,860 tons in 1940, the SSC symbolized British control of both international and regional shipping in Singapore.⁵¹

Similarly, in Riau's waters, very few Chinese shipping companies were still operating independently. By exploiting the subtle relationship between the British and the Dutch, who were rivals and distrustful of each other, they kept an unstable balance with the KPM, which allied with Chinese to fight their British competitors in the Netherlands Indies. Successfully, but with some difficulty, several Chinese shipping companies managed to survive in the Riau Islands where the KPM was reluctant or unable to enter. The services of previously mentioned Tio Hoe Lay were extended by his son to Sarawak, Muar and South Sumatra.⁵² Another three shipping firms were



**A tongkang sailing in the waters of the Riau Islands held by Ms. Abraham Crijnsen.
Source: KITLV/14093.**

⁴⁸ Tregonning, *Home Port*, 138.

⁴⁹ Dahles and Van den Muijzenberg, *Capital and Knowledge in Asia: Changing Power Relations*, 153-4.

⁵⁰ *Straits Times*, 31 May 1933, Page 6.

⁵¹ Tregonning, *Home Port*, 164.

⁵² *Ibid.*, 138-9.

also associated with the Chinese in Indonesia: the Tiong Hua Loen Chun Kongsii in Palembang, Lian Hua in Jambi, and the Heap Eng Moh (associated with the Oey Concern) based in Singapore. The first two each owned one steamer sailing between Singapore and Sumatra.⁵³

At the same time, the technological dichotomy still existed between Singapore and the rest, between Western shipping companies and the others. Although there is data about the exact number of vessels in Singapore, we can conclude that steamers dominated the shipping capacity. In the Riau Islands, the tonnage/number ratio fluctuated between 99 and 170, which did not exceed the level in Singapore in the 1870s (Table 4.10). The higher ratio of the Riau Islands in this period was largely due to the visit of steamers to Pulau Sambu for oil products. In Johor, these ratios were even lower and steamships were even used in transporting mining products from the state to Japan.

Table 4. 10. Ratios of tonnage/number in Johor and Riau Islands, 1909-1938.

Year	1909	1916	1920	1923	1928	1930	1932	1938
Johor	-	-	-	-	41	74	60	-
The Riau Islands	170	121	116	134	-	99	-	153

Source: Appendix xxv, Appendix xxvii.

To sum up, the internal connections of the triangle showed a process of intensification. Although Johor's growing connection to Japan and transshipment of oil from Pulau Sambu in the Riau Islands to countries diversified regional connections, from the point of view of Singapore, which paid more attention to the regional market, connections with Johor and the Riau Islands were at the same time intensified. With regard to shipping authorities, Johor-Singapore shipping was shifted to the British, whereas the Riau Islands-Singapore connection was still maintained by the Chinese. Rather than full cooperation, the mutual relationships between different shipping companies increasingly showed signs of competition.

1940s

The Japanese invasion in 1942 brought the steady growth of maritime development to a sudden end. But it is also the first time since the split of the old Johor-Riau Sultanate 130 years ago that we can describe this region as a complete political unit. There was a general decline of shipping movements and a disruption of external

⁵³ Twang, *The Chinese Business Élite*, 92.

shipping connections because of the Japanese effort to obtain natural resources and goods to wage war, and to blockade communication and supply routes that allowed the Allies to send supplies to Chinese forces.⁵⁴ On the other hand, internal mutual connections within the triangle were intensified, both by official improvement and by secret means.

Due to its previous international status, Singapore was considered as occupying an important geographical position serving a strategic military purpose for the JMA,⁵⁵ whereas Malaya and Sumatra were regarded as the core of economic development. Products were transported to Singapore from where they were shipped to Japan. These maritime activities effectively cut off outward connections of this region with the Western world, but strengthened the Japan-Malayan connection and Malayan internal connections by transport of raw materials to Japan. On 20 March 1943, the military administration announced the creation of a Southern Regions Shipping Company, which incorporated all Japanese shipping interests in Singapore, and mobilized steamships and sailing vessels in order to carry goods within the Southern Regions. In January 1944, a Malayan Marine Transport Association similarly united all local shipowners.⁵⁶ Japan also launched a programme to build ships throughout the Co-Prosperity Sphere, ordering all districts in the Southern Regions to give the highest priority to this effort, which received some 30-40 per cent of funds available for civilian enterprises in 1944.⁵⁷ And the Japanese also made great efforts to revive shipping by building wooden vessels and introducing the Syonan Shipping Kumiai system in May 1942.⁵⁸ Nevertheless, these measures could not alter the gradually loosened international shipping connections.

Internal traffic connection was by contrast relatively strengthened. With regard to land traffic, the Japanese authorities constructed a new road along the east coast of the peninsula, but maintenance of existing roads was poor. Railway service was resumed along the west coast by June 1942, but there were breaks in the line where bridges had been destroyed, and it was 1943 before a through service between Singapore and Bangkok was announced.⁵⁹ In maritime development, although shipping space was extremely scarce, the re-use of traditional Chinese sails and Bugis prahus maintained the internal marine connections. The number of wooden vessels sailing between Singapore and neighbouring islands doubled from the pre-war number.⁶⁰

⁵⁴ Yoji and Mako, *New Perspectives*, 113.

⁵⁵ *Ibid.*, 134.

⁵⁶ Kratoska, *The Japanese Occupation*, 161.

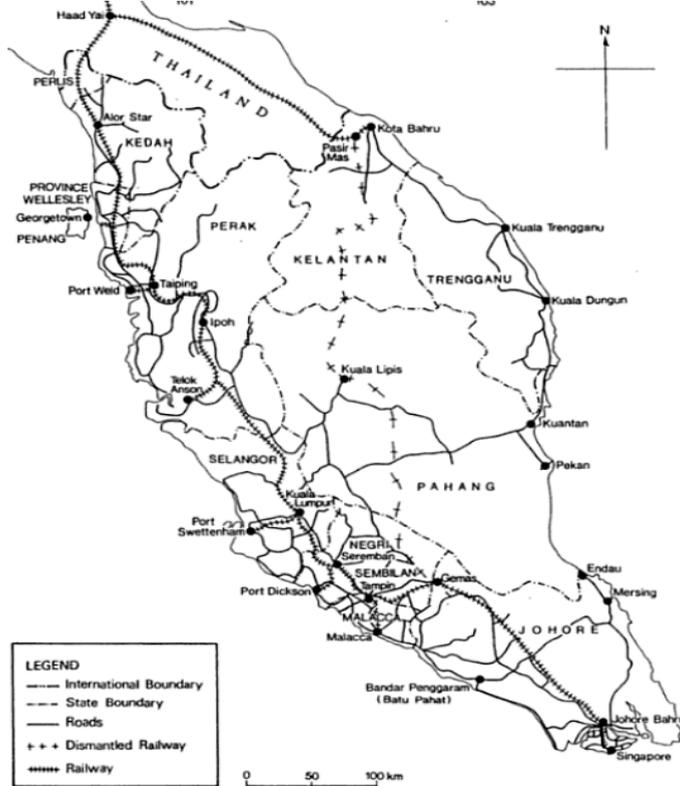
⁵⁷ *Ibid.*

⁵⁸ Twang, *The Chinese Business Élite*, 93.

⁵⁹ Kratoska, *The Japanese Occupation*, 160.

⁶⁰ Twang, *The Chinese Business Élite*, 94.

Map 6. Roads and railways of Malaya in 1945.



Source: Kratoska, *The Japanese Occupation*, 162-3.

Secret means to strengthen internal connections resulted from the navigation of small junks used in the black market. They operated more or less openly in occupied Malaya despite heavy penalties. Some black market supplies came from authorized dealers who diverted rice or sugar intended for sale under the rationing system, but the primary source was smugglers who operated along the Malayan coasts. Karimun Islands in the Riau Islands became a major transfer point for smuggled goods traded between Java, Sumatra and the peninsula, so much so that in March 1945 the Syonan Rice Import Kumiai set up a branch there to 'smooth' imports of rice. In Johor small sailboats entered the Batu Pahat River at night carrying 'rice, sugar, flour, pigs, cigarettes, wine, brandy and opium', for the most part purchased from the occupied The Netherlands Indies. There was also a considerable amount of internal smuggling,

with farmers or traders moving goods from production areas to towns where supplies were scarce and black market prices attractive.⁶¹

In total, during the Japanese occupation, a severe shrinkage of the serving area of shipping was the sole characteristic feature of the external connections of Singapore, Johor and the Riau Islands as a whole. By contrast, their internal connections reached their strongest point. Their mutual relations therefore showed a pattern of cooperation and 'co-prosperity'.

1950s-1970s

The SSC began trading again as soon as it returned to Singapore after the war, but its post-war history was full of fluctuations and decline.⁶² This happened to the KPM as well when faced with economic decolonization in Indonesia. Both Chinese and Malays now got an opportunity to play a large part in shipping because of the disappearance of Western shipping. After the war, the Japanese left behind some vessels which came into the hands of either the Republic or the Chinese. A large number of landing-craft was sold by the British colonial authorities to the Chinese. It was an important landmark in the development of Chinese shipping in this area.⁶³ There had been only a few Chinese shipping firms in Singapore in the late 1930s, while in Sumatra there were only two, each owning one single vessel. In 1949, by contrast, there were at east 20 Chinese shipping firms based in Singapore, mostly run by *totok* Chinese from Indonesia.⁶⁴

Chinese significance was reduced during the process of regional decolonization and nationalization. In Singapore, ethnic Chinese were still active in economic domains due to their dominance in the total population, but by then, their mother country was Singapore, instead of China. By contrast, both in Malaysia and Indonesia, indigenous groups received encouragement and support from the government and took the place of Chinese in all domains. Nevertheless, the implementation of these policies was not effective in the triangle, especially not in the Riau Islands. As a result, existing conditions were maintained which suggests a continuity of the colonial pattern, at least during the immediate post-war period.

Government intervention increasingly called for independence in the economic sphere. Guided by individual government policies, shipping connections between Singapore, Malaysia and Indonesia were competitive rather than cooperative. Appendix xxii provides details of the shipping movements of Singapore differentiated by nationality. Although the information is not complete, it is still obvious that the share of Indonesia and Malaysia in the total of Singapore fell gradually.

⁶¹ Kratoska, *The Japanese Occupation*, 160-70.

⁶² Tregonning, *Home Port*, 249.

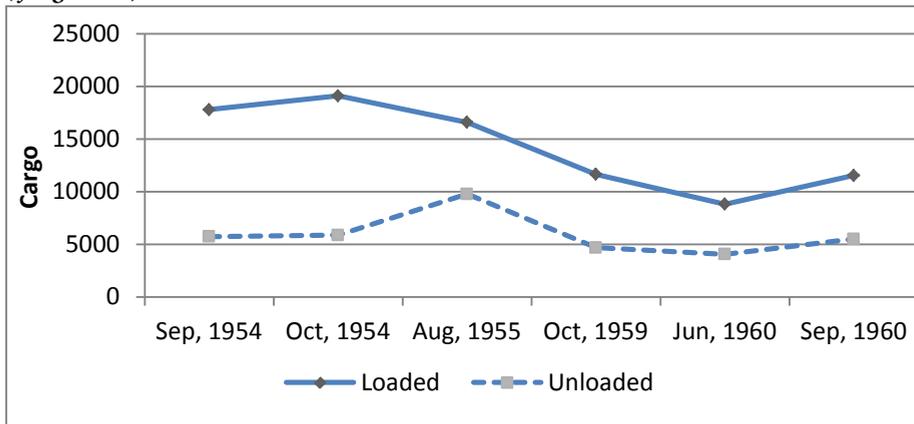
⁶³ Twang, *The Chinese Business Élite*, 210.

⁶⁴ *Ibid.*, 211-2.

In Malaysia, statistics indicate a negative growth of trade with Singapore, after the Malaysian government had announced in the Malaysia Plan its intention to construct its own port in order to bypass Singapore. The same intention was also present in Indonesia from the 1950s to divert the Riau Islands away from Singapore. This reached a peak during the process of decolonization when private capital from the former colonial mother country was confiscated by the government. The nationalization of Dutch firms resulted in a serious economic downturn. The Riau Islands-Singapore marine connection suffered a great decline during this period! In contrast to the domestic interinsular shipping of the Riau Islands which increased gradually, shipment to Singapore declined each year (Figure 4.13). Pulau Sambu and Tanjung Uban became exclusive oil ports to distribute oil products to the world market without needing Singapore. There is no doubt that this declining trend was reinforced by Indonesian-Malaysian Confrontation during the years 1963-1966 when there was a significant decrease in numbers of vessels.

Figure 4. 13. Cargo loaded and unloaded in Singapore from Riau Islands per month, 1954-1960.

(freight tons)



Source: Appendix xxiii.

More changes took place in the 1970s when the political intention to develop a national economy became more pronounced, particularly in Malaysia. The departure of Singapore from the Federation in 1965 resulted in the intention of the Malaysian government to construct its own port for international trade. The understanding behind this dated back even earlier because of the growing importance of export

industries in Malaysia, as well as trade and economy.⁶⁵ These new industries would be significant generators of industrialization throughout for the port, because Johor port could provide the necessary facilities and amenities to attract industrial throughput from Singapore port.⁶⁶ This ambitious plan was finally realized with the design of the Johor port in 1974. The government would recognize Johor port as the southern terminal point of the Peninsular Malaysia (goods) transport network.⁶⁷ Therefore, there was a hope in the government that the majority of the new industries, particularly the footloose ones, which would be located in the new industrial estates in Johor. The following government policies were announced to enhance Johor port's competitiveness, including:⁶⁸

1. Land transport development: the new rail link between Kempas and Johor port, and a road link between Johor Bahru and the port. In this respect, with the completion of the rail link to Johor port, it is recommended that for the purposes of planning for transportation infrastructure, and to tailor its future road and rail planning within this context.

2. Preferential rates to shippers. The policy was created in the hope that cargo could be delivered through Johor port rather than Singapore port and the railway system.

3. The establishment of more ancillary services necessary for port operation (like forwarding agents, insurance agents, handling agents and banks) in the Johor port area. Moreover, the government should seriously consider the possibility of designating a free trade zone near the port to allow the port to compete with Singapore port for the handling of cargo like rubber and palm oil.

4. The Johor Port Authority (JPA) should prepare a formal request to the Ministry of Transport to present its case to the Shipping Conferences to designate Johor port as a Liner Port after the completion of its Phase II expansion programme in 1985. The designation of Johor port as a liner port would enable a larger range of commodities to be shipped through the port than at present, particularly for cases of dry general cargo and containerised cargo.'

Existing connections were difficult to cut off. After the war, Singapore maintained its position as the main commercial centre of Southeast Asia and as the chief port of the Federation of Malaya. In 1950, evaluated from the perspective of total imports and exports from Malaysia, 73 per cent and 63 per cent respectively passed through Singapore.⁶⁹ Between 1957 and 1966, more than one-third of

⁶⁵ Othman and Fong, *Johore Port: An Economic Evaluation and Formulation of a Long-term Expansion Strategy*, 225.

⁶⁶ Ibid.

⁶⁷ Ibid., 192-225.

⁶⁸ Ibid., 192-3.

⁶⁹ CSAR (1950), 14.

Peninsular Malaysia's trade used Singapore for shipment. A high degree of dependence of Indonesia on Singapore is also observed from the frequent shipping activities between the two. The main reason was the comparative advantage of Singapore. First, the high frequency and wide range of shipping services at Singapore brought about a reduced cargo waiting-time and hence lower storage payments, which made Singapore more attractive. Second, Singapore's more developed banking, financial and telecommunication facilities enhanced its position in foreign trade with Peninsular Malaysia. Third, the development of container facilities and international connections attracted considerable shipments.⁷⁰

Despite the expectations of the Malaysian and Indonesian governments, maritime development of Johor and the Riau Islands was still slow to materialize. In Johor, total cargo throughputs of Johor port in 1980 amounted to 2,064,000 freight tons, ranked 5th place, and took 6.7% of the total of Malaysia. The corresponding numbers in 1985 changed to 4,327,000 tons, ranked 6th place, and 7.2% of the total.⁷¹ This reflected a certain growth in Johor. Nevertheless, insufficient port services, including cargo congestion, delays in cargo clearance, high cost of shipyards, and limited market networks, still left an opportunity for Singapore to attract a major proportion of Malaysian merchandise. To some extent, Malaysian ports, including those of Johor, became mere feeder ports to Singapore. Thus, the task ahead, the government figured, was to undertake effective action to make Malaysian ports more competitive, encouraging cargo to be shipped through them whenever possible.⁷²

Therefore, in the post-colonial period, the two-way connections within the three regions were expected to be undermined because of the underlying political ambitions. Nevertheless, a continuation of historical connections is still visible under the influence of colonial legacies. Although their mutual connections grew relatively weaker, they still formed the foundation of the next step of economic cooperation, the establishment of SIJORI.

3. Overview of shipping development and analysis of demand conditions

Sea unities through the linkages created by maritime networks have been a feature of modern history.⁷³ Locally, the boundary of rivers and sea between Singapore, Johor and the Riau Islands makes ships serve as the most reliable and efficient mode of transportation. This chapter has offered a survey of marine connections between the three regions.

⁷⁰ Devaser, *A Plan for Johore Port*, 6.

⁷¹ Rahman et al., *The Maritime Economy*, 16, Table 2.4.

⁷² *Ibid.*, 17.

⁷³ Frost, 'Asia's Maritime Networks and the Colonial Public Sphere, 1840-1920'.

In general, all regions experienced rather dramatic changes in maritime development. However, their mutual connections did not follow paths of individual development. During the colonial period, their relationship, represented by various shipping companies, generally showed a pattern of both cooperation and competition. Johor remained exclusively the hinterland of Singapore until the appearance of the Japanese, while the Riau Islands' position showed some similarity with Singapore. Internal connectedness within this region showed a gradually intensification. The region as a whole was exposed to the world economy by European steamers, while internal connections to a large extent were maintained by the Chinese. During the Japanese occupation, all suffered great setbacks. However, internal connections reached their strongest point due to the Japanese political and military efforts. After the war, political confrontation and economic blockades led to a disruption of the existing network. Internal connections were destroyed and outward connections to the world economy were strengthened on an individual basis. Due to the vulnerability and small scale of Chinese shipping companies, the Riau Islands-Singapore connection was not as strong as the Johor-Singapore connection.

This chapter together with Chapter 3 also describes the factor of demand conditions in Porter's Diamond Model. The evaluation of this factor is shown by Table 4.11. It shows two simple facts. First, Singapore possessed the greatest advantage in the spatial dimension, followed by Johor, then by the Riau Islands. Second, in the temporal dimension, the advantages in all regions underwent a cumulative process, except during the Japanese occupation.

Table 4. 11. Standardized assignments of demand conditons in Singapore, Johor and Riau Islands by period, 1870-1970.

	1870-1910			1910-1940			1942-1945			1945-1970		
	Early imperialism			High colonialism			The Pacific War			Decolonization, independence		
	S	J	R	S	J	R	S	J	R	S	J	R
<i>International trade</i>	1.2	0.4	0.8	2	1.2	1.2	0.8	0.4	0.4	4	2.8	2
<i>International shipping</i>	1.2	0.4	0.8	2	1.2	1.2	0.8	0.4	0.4	4	2.8	2
<i>Regional trade</i>	0.8	0.8	0.4	1.6	1.2	0.8	0.4	0.4	0.4	2.4	2.8	2
<i>Regional shipping</i>	0.8	0.8	0.4	1.6	1.2	0.8	0.4	0.4	0.4	2.4	2.8	2
<i>Trade agents</i>	0.8	0.4	0.4	2.4	1.2	0.8	0.4	0.4	0.4	4	2	1.2
<i>Shipping companies</i>	0.8	0.4	0.4	2	1.2	1.2	0.8	0.4	0.4	2.4	1.6	0.8
Mean value	0.9	0.5	0.5	1.9	1.2	1	0.6	0.4	0.4	3.2	2.5	1.7

Chapter 5

Capital and Capitalists

It was pointed out in the previous chapters that the expansion of regional trade and shipping was due to the exploitation of raw materials which were in great demand in the world market. A proportion of the capital accumulated from these exports flowed back into the region and served to improve productivity in exploiting these natural resources. Processing manufacturing plants, supporting industries and financial services were established as a result of both backward and forward linkages. Within the triangle, the proximity of geographical location and existing connections facilitated the flow and distribution of capital of various ethnic groups. In the colonial period, this network was formed and maintained mainly by Europeans and Chinese, whereas the Malays were designated to play an increasing role in the post-war period. This chapter focuses on capital and capitalists, differentiating by ethnic origin, and identifying the impact on capital networks. Rather than following a chronology, the discussion is arranged by economic sector, that is agriculture, manufacturing and finance. This chapter concludes with an overview of individual and joint performance of Singapore, Johor and the Riau Islands analysed in Porter's Diamond Model.

1. Agriculture

The production of tropical agricultural commodities was the most important advantage attracting both international and regional capital to the triangle, especially after the establishment of Singapore which guaranteed access to the world market. The production of agricultural primary goods lay at the core of regional trade and supported the later industrial and financial development. However, agricultural production was quite unbalanced due to two structural characteristics. The first one was – and is – the non- or very limited existence of agriculture in Singapore. Although land supply was still abundant when Singapore was founded in 1819, available land for agricultural production was soon exhausted after several decades of intensive cultivation by an exploding population. Up to the 1870s, agricultural plantations could only be found in adjacent Johor and the Riau Islands. The second characteristic refers to the limited subsistence farming in the region, which forced regional food supply to rely heavily on imports. Local agricultural plantation can be characterized as an export-oriented commercial agriculture.

As indicated by the trade structure, there were shifts among important commercial agricultural products that played a different role during the long period studied here. Before the arrival of Europeans, both Chinese and Malays had already been widely engaged in the cultivation of copra, sago, rattan, coconut and vegetables, as well as in keeping livestock. Except for local consumption, the surplus was mainly sent to Singapore, where there was a strong demand.¹ This pattern of agricultural production, however, did not require or generate much capital and was not of great economic significance. Nevertheless, these traditional agricultural activities have been maintained until today, especially in the Riau Islands.² In this study, we have focused on selected agricultural commerce of some economic significance.

The first important agricultural production after the establishment of Singapore was cultivation of pepper and gambir, which was initiated by Chinese in the Riau Islands in the eighteenth century. In the nineteenth century, many of these Chinese were attracted to Singapore, then later moved on to Johor to set up plantations there.³ After several decades of cultivation, this area became the world's largest gambir producer and export centre. The second half of the nineteenth century in this region has been described as the 'Age of Gambir' by historians.⁴

After the decline of gambir and pepper plantation in the early twentieth century in Johor, many Chinese planters switched to pineapples.⁵ The pattern was also observed in the Riau Islands. In Batam, pineapples were very important for the

¹ MvO: Riouw en onderhorigheden (1908).

² Ibid.

³ An, 'Chaozhouese Pioneers at Johor and Muar In Malaysia'.

⁴ 邱新民, '新加坡的甘密时代'.

⁵ Guinness, *On the Margin*, 6.

canning factories in Singapore, such as Tandjong Pinggir, a pineapple plantation, employing a total labour force of 20 Chinese in 1908 based on a concession from the government.⁶ Some other Chinese became tapioca and sago planters and sold their properties as rubber estates to European companies and company promoters in Johor.⁷ In Riau, sago cultivation and trade also expanded in *Benedenlanden* Indragiri, but stagnated in Lingga and Karimun.⁸ However, the dominance of smallholdings plantations and a sparsely scattered population restricted the scale of the cultivation.⁹ Some plantations were also run by the Malays. From the turn of the century, coconut and areca nut were widely planted in Muar and Batu Pahat by Malay and Javanese smallholders.¹⁰ Meanwhile, some European pioneers also experimented with planting on a large scale – sago, coffee, tea, cocoa and tapioca.

Nevertheless, the production of these commodities remained limited.¹¹ It was the plantation of rubber that achieved great success and importance, replacing pepper and gambir as the region's most important export product in the twentieth century. Differing from Chinese dominance in gambir and pepper, rubber was rather a European business from the beginning. Owing to its large demand in the West, rubber became the first regional product which was brought to the world market in large quantities.

Although rubber retained its importance up to the post-war period, its position was gradually challenged and it was replaced by palm oil which brought a third change to regional commercial agriculture. Malaysia and Indonesia became the world's leading producers of palm oil. However, the situation in Johor and the Riau Islands differed markedly. Johor became a major producer of Malaysian palm oil, whereas this product had never been tried out in the Riau Islands on a very large scale. The shift among the three products reflected the evolution of connections between the triangle and the world market, and also the dynamic mutual relationship between the Chinese, Europeans and other ethnic groups.

Age of gambir

Gambir plantation originated from the Riau Islands in the early eighteenth century by Chinese, especially Teochew Chinese.¹² On Bintan and Batam islands, these early

⁶ KV (1905), 54. MvO: Riouw en onderhorigheden (1908).

⁷ JAR (1910), 6.

⁸ KV (1905), 259-60.

⁹ Touwen, *Extremes*.

¹⁰ JAR (1911), 3.

¹¹ Guinness, *On the Margin*, 6.

¹² Trocki, 'The Origins of the Kangchu System 1740-1860'. Berkley, *An Anecdotal History of Old Times in Singapore, 1819-1867*, 307. Jackson, *Planters and Speculators: Chinese and European*

Chinese planters, titled as *soengie hoofd* (river headman), cultivated gambir and pepper in their own *soengies* (river settlements).¹³ However, such self-sufficient production could not generate much capital until it reached a large scale. This was not realized until the 1830s when Temenggong Ibrahim, ruler of Johor, introduced the *kangchu* system, whereby the right of settlement and management of a plantation (also called *kangkar*) was granted to a Chinese headman (called *kangchu*).¹⁴

The *kangkar* varied in size and were found on virtually every river, ranging from 2,500 acres to 20,000 acres.¹⁵ In 1872, 72 *kangchus* were recorded in Johor and the number increased to 94 in 1891.¹⁶ In the Riau Islands, there were still 52 Chinese headmen recorded with a total 95 settlements in 1867.¹⁷ They were opened up on major islands of the Riau-Lingga Archipelago, including Bintan, Batam, Galang, Lingga, Singkep, and Karimun.¹⁸ The cultivation also expanded to Indragiri by two European estates, Gading Estate and Ajer Moelek, but elsewhere experienced decline from the 1900 onwards as a result of the decreasing price and the utilization of suitable land for firewood.¹⁹ It is impossible to obtain a detailed picture of the total area and production of gambir and production in Johor and the Riau Islands. Nevertheless, their relative importance is indicated by the exports of these two products. In 1870, production from the Riau Islands was slightly more than that from Johor. However, in the following several decades, Johor recorded a faster growth than the Riau Islands. In 1900, total exports of gambir and pepper from Johor was recorded at £410,000 and £305,000, whereas the export from the Riau Islands was £95,000 and £27,000.

Unill 1911, the gambir and pepper estates of Johor were all owned by China-born traders (mainly Teochews) living in Singapore. These Chinese capitalists lived in Singapore or other trade centres, while their representatives called the *tauke* (businessmen) acted as managers and lived on the plantations.²⁰ Neither owner nor representative was engaged in the cultivation themselves but through employed planters, who agreed to sell the produce to them at a certain fixed price in return for

Agricultural Enterprise in Malaya, 1786-1921, 7. Colombijn, 'Een milieu-effect rapportage van de gambircultuur in de Riau-archipel in de negentiende eeuw'.

¹³ BPL 2106.I.6A.

¹⁴ Tan, 'Li Yih-yuan and the Study of Chinese in Malaya'. The discussion of *kangchu* system has also been mentioned by various historians, note for example Trocki, *Prince of Pirates*. Trocki, 'The Origins'. Coope, 'The *Kangchu* System in Johore'.

¹⁵ Selat, 'The Emergence of Commodity Production in a Malay District - Muar, Johor', 325.

¹⁶ STDS (1891), 295-6.

¹⁷ BPL 2106.I.6A.

¹⁸ Trocki, *Opium*.

¹⁹ KV (1905), 261.

²⁰ Fernando and Bulbeck, *Chinese Economic Activity in Netherlands India: Selected Translations from the Dutch*, 214-5.

capital and provision.²¹ The crops could be loaded directly onto twakows or tongkangs (cargo boats) in the *ulu* (headwaters) and taken to Singapore without further handling. Produce was weighed in Singapore, so planters were at the mercy of traders. The situation in Riau is assumed to be of a similar pattern, with, most of the owners, managers and traders of the plantations Singapore based. Even those small capitalists from Johor and the Riau Islands intended to connect themselves to Singapore again by selling all their products in the Singapore market.²²

Both in Johor and the Riau Islands, the growing of gambir and pepper was not their only interest. They were also involved in other undertakings. In Johor, they gradually obtained further rights, such as collecting taxes, especially taxes on gambling and on the sale of pork, opium and alcohol. Similarly in the Riau Islands, many rich Chinese capitalists and businessmen also functioned as opium farmers for the colonial government. Teo Ho Lye used to be an opium farmer and had a dominant influence in the archipelago before engaged in the shipping business. From 1908, opium farming was in the hand of Tan A Tjon, the opium farmer of Tanjung Pinang.²³ Benefitting from the profits of opium farming, many of these opium farmers succeeded in accumulating their initial capital to create numerous links between capitalist development and opium farmers.²⁴ Without exception, these Chinese capitalists migrated to Singapore after they had become rich, leaving their business in Johor and the Riau Islands to the appointed agents. A vast Chinese capital and family network was thus indicated by this pattern of farming system.

In this way, Chinese capitalists and their migration routes created a Chinese capital network in this region. The intensity of this network was not only consolidated by family, kinship and blood relationships between them, but also further strengthened by the establishment of two cross-boundary institutions in Singapore promoted by the Europeans: The Gambir and Pepper Society (*kongkek*) in 1867 and The Opium Farming Syndicate.²⁵ The *kongkek* aimed at promoting the mutual protection and benefit of financiers and planters, and unifying the planting, shipping and trading activities in Johor and Singapore. It also handled complaints from European merchants regarding the quality of these products: in 1887, its representatives met with the representatives of European firms calling in these commodities in the offices of the Singapore Chamber of Commerce to discuss ways and means of improving their quality, and agreeing to call upon the sultan of Johor

²¹ JAR (1912).

²² STDS (1891), 284.

²³ MvO: Riouw en onderhorigheden (1908).

²⁴ Trocki, 'Opium and the Beginnings of Chinese Capitalism in Southeast Asia', 297.

²⁵ Song, *One Hundred Years' History*, 38.

for his help.²⁶ If there was a dispute or quarrel between the owners of gambir and pepper estates and their mortgagees as regards the correctness of the scales of the mortgagees, the *kangchu* had to fully investigate the matter and send the goods to the *kongkek* to be weighed on government scales provided for the *kongkek*.²⁷ The Opium Syndicate, which was under one joint contract with different governments, tried to prevent smuggling and to enter into a mutual understanding that opium farms should be apportioned between governments.²⁸ The Syndicate was able to establish a uniform price for *chandu* at the settlements. The cooperation of Tan Seng Poh, the Riau opium farmer at the time, afforded valuable assistance to the Syndicate in crushing the organized system of smuggling which had for some time robbed the farmers of a large portion of the lawful fruits of their monopoly.²⁹ These two Chinese institutions, together with the gambir and pepper plantations, generated a golden age of strong internal connections within the triangle.

The languishing in the interplantation of pepper and gambir and the collapse of prices from the late 1890s onwards were attributed to several reasons.³⁰ The most important one was from the economic and ecological perspective.³¹ From the point of view of the state, cultivation of gambir was very wasteful considering the nature of its labour-demanding and soil-exhausting cultivation. It could only be planted on newly felled land. If no attempt was made to add manure as fertilizer, as soon as the soil showed signs of exhaustion, the plantation was deserted. The clearing soon became overgrown with grass, which, being very inflammable, was constantly subject to fire, effectually preventing re-forestation. Nevertheless, gambir production could not be prohibited easily, as the cessation of that cultivation would also mean the end of pepper cultivation. In Johor, the situation was further worsened by an insufficient labour supply which, however, was due to the opening of the Johor State Railway. The *kangkar* furthest from the river mouth immediately became the nearest to both a way of escape for the coolies, and an offer of cash wages. The Chinese gambir and pepper capitalists were soon drained of their labour supply. Chinese *kangkar* only retained coolies by offering much more favourable terms than had prevailed before, at the expense of his profits.³²

Faced with such problems, attempts were made to utilize clearings for cultivation of rubber but satisfactory results were unlikely in the exhausted soil.³³

²⁶ Chiang, *A History*, 52-3.

²⁷ Coope, 'The Kangchu System'.

²⁸ CO 882/4/21: Straits Settlements: memorandum of agreement with sultan of Johore as to opium farms.

²⁹ Song, *One Hundred Years' History*, 159.

³⁰ Guinness, *On the Margin*, 2-3.

³¹ JAR (1910), 6.

³² *Ibid.*

³³ *Ibid.*, 5.

The headmen or *kangchus* applied for concessions for the whole or portions of the land occupied by them, and were planting rubber or other types of cultivation.³⁴ In 1911, in Batu Pahat, of the 21 *kangkar* not more than two showed any signs of health.³⁵ Also experiencing the same difficulty, the shift of agricultural plantations was not successful in the Riau Islands where the colonial government's influence was limited. Gambir and pepper plantations were in the hands of smallholders, particularly Chinese, but the scale of their exported commodities was still insignificant compared to elsewhere, for instance in mainland Sumatra. The economic importance of the Riau Islands was marginal within the Netherlands Indies.

East-west connection: rubber

Rubber first attracted the attention of British planters in the 1890s. In Johor, the early plantations were set up along both coasts and then expanded into the interior. However, it was not until the early twentieth century that rubber trees were cultivated on a large scale on estates managed by European merchant houses.³⁶ Many shareholders of these merchant firms were Europeans residents in the Far East, primarily planters, merchants, bankers, professional men and some government officers with capital either in sterling or Chinese currency.³⁷ Among them, Harrisons & Crosfield and Guthrie were the pioneers of European estates in Johor: Mount Austin and Castlewood established near Johor Bahru, The Malay Peninsula (Johore) Rubber Concessions (50,000 acres in 1906) and The Rubber Estates of Johore (25,000 acres in 1906) near Muar.³⁸

In the Netherlands Indies, although the Agrarian Law of 1870 promoted the investment in agriculture by private capital,³⁹ the effects of this policy did not materialize in Riau until the twentieth century when the rubber plantations were introduced. Riau had never been an attractive place for Western capital.⁴⁰ However, most of these plantations were located mainland Indragiri, and only in a small part of the Riau Islands, especially on Bintan and Karimun islands. Under the administration of the Dutch colonial government, the Riau Islands attracted much capital from the Netherlands. Regional Dutch capital often showed various relationships with Singapore. In 1934, Poelau Loemoet Estate and Soegi Estate were given the right to

³⁴ Ibid. (1911), 3.

³⁵ Ibid., 16.

³⁶ Guinness, *On the Margin*, 6.

³⁷ Drabble, *Rubber in Malaya, 1876-1922: The Genesis of the Industry*, 67.

³⁸ Ibid., 49.

³⁹ Thee, 'The Impact of the Colonial Past on the Indonesian Economy', 1-2.

⁴⁰ Touwen, *Extremes*.

exploit rubber lands in Karimun. Although concessions were granted by the Netherlands Indies government, permits were obtained at the Consulate-General of the Netherlands in Singapore.⁴¹ The cultivation of these new estates crops during the period 1910-1940 was also partly undertaken by non-Dutch Western private enterprises.⁴² Many of these British business firms that expanded rubber plantation in the Riau Islands, such as Bintan Estates, Ltd., were financed by Guthrie and Co.⁴³

Financed by large Western merchant houses, these estates possessed the advantage of substantial investment from the very beginning. The Bintang Johore Rubber Estate was registered as a limited company in 1910 in London with a nominal capital of £30,000.⁴⁴ One of the largest European estates in the Riau Islands, Bintan Estates, was a British company involved in rubber plantation in Tanjung Pinang. It was initiated with a capital of £24,000 which was increased to £85,000 in 1927.⁴⁵ Galang Besar Rubber Plantations, a Dutch company founded in 1910 in Tanjung Pinang had capital of £150,000.⁴⁶

There was also some investment in rubber companies by Asians, notably Japanese and Chinese, mainly where they were the owners of property.⁴⁷ Rubber planting by the Japanese was the spontaneous outcome of the interest shown by both individual merchants in Singapore and rich businessmen in Japan. By 1917, the Japanese possessed about 100,000 acres of rubber estates in Johor, increasing from 58,424 acres in 1916.⁴⁸ Most of these Japanese estates were located in Kota Tinggi, which had the largest number of Japanese of all districts in the peninsula. By the eve of the Pacific War, the majority of Japanese estates were limited companies. They were partly registered in Japan, partly incorporated in the Straits Settlements.

Chinese rubber plantation began much earlier than the Japanese. Cheong Chin Heng, one of the Chinese pioneers of the plantation of rubber started his business in Johor as early as the 1870s.⁴⁹ Nevertheless, the Chinese generally did not show much confidence in the permanency of rubber cultivation until the late 1910s.⁵⁰ Following his step, many Chinese, especially Singaporean Chinese, established rubber plantations both in Singapore and adjacent areas, especially in Johor. Tan Kah Kee

⁴¹ *Singapore Free Press and Mercantile Advertiser*, 15 May 1934.

⁴² Thee, 'The Impact', 13.

⁴³ *Singapore Free Press and Mercantile Advertiser*, 12 January 1931, Page 19.

⁴⁴ BT 31/19617/111259: Company No: 111259. Bintang Johore Rubber Estate Ltd. was incorporated in 1910 and dissolved between 1916 and 1932.

⁴⁵ HCHON (1927), 81, Swart, *Rubber Companies in the Netherlands Indies*, 273.

⁴⁶ Ibid.

⁴⁷ Drabble, *Rubber*, 67.

⁴⁸ Sudo, *The International Relations of Japan and South East Asia: Forging a New Regionalism*, 129-31.

⁴⁹ Song, *One Hundred Years' History*, 157.

⁵⁰ JAR (1910), 7.

established his rubber plantation in Singapore with an initial capital of £210. In 1916, there were 39 Chinese estates in Johor with a total of 58,203 acres, 15,990 acres of which were cultivated with rubber. This percentage was much lower than that among Europeans and Japanese. The Chinese also established rubber estates in the Riau Islands, but the number was rather limited. One piece of news in 1929 reported that a British planter, James William Futch, had been murdered by a crowd of Chinese. He had acted as an authorised leader in a Chinese rubber and pineapple company in the Riau Islands.⁵¹ In Johor, some Malay estates were organized. The largest investor was the sultan of Johor.⁵² Sultan Ibrahim had a personal interest in rubber and owned two plantations, both located on the outskirts of Johor Bahru (Ayer Molek Rubber Estate and Pasir Pelangi Rubber Estate), with a total 2,800 acres of planted land and 625 labourers.⁵³

Compared to Western estates, the significance of Asian plantations was very limited (Table 5.1). Europeans were the main conductors of capital connections between Singapore, Johor and the Riau Islands. Regional differences can also be discerned. From 1907 to 1916, the number of estates plantation rose from 10 to 151. Up to 1960, there were a total of 490 rubber estates in Johor. Estates rubber plantation in the Riau Islands, however, did not attract significant capital. From 1927 to 1936, the number of rubber estates increased only by only one, from 21 to 22 in the entire Riau Residency, under the influence of the worldwide Depression of the 1930s. Although the number of estates increased to 77 in 1970, the total area of these estates was much smaller than pre-war. Determined by the number of estates in the three regions, the connection was much faster between Singapore and Johor than that between Singapore and the Riau Islands.

Before the outbreak of the Pacific War, the rubber plantation in British Malaya and the Netherlands Indies was restricted by various restrictions, which were quota schemes with basic quotas allotted to the participating territories and applied equally to estates and small-holdings (Table 5.2).⁵⁴ Rubber plantations began to decline immediately after the Pacific War, despite the stimulus from the Korean War. Reasons for the decline vary. The most important was less demand for natural rubber in the world market because of the rise of synthetic rubber. Second, as a result of the accident of fire at the Paya Lebar factory of Aik Hoe & Co. in Singapore in 1950, insurance companies became reluctant to insure large quantities of rubber at the new values. There was hence not enough available money in the country to finance

⁵¹ *Soerabaijasch handelsblad*, 16 May 1929.

⁵² Lim, *Johor*, 34.

⁵³ JAR (1916).

⁵⁴ Bauer, 'The Working of Rubber Regulation'.

rubber.⁵⁵ Third, the post-war political situation did not encourage Western investment, especially not in Indonesia, where the process of decolonization brought a sudden end to Western rubber estates. In Malaysia in 1966, European-owned rubber estates only accounted for 39 per cent of total production.⁵⁶ In Indonesia, as early as 1948, the Dutch had begun putting estates up for sale in Singapore – an estate of 2,800 acres on the Riau Islands of Kundur, including 875 acres of exploitable rubber and 325 acres of penang nuts, one rubber factory, one sago factory and one hospital.⁵⁷ The decline of the large rubber estates offered an opportunity for rubber smallholders. Unlike an estate plantation which is usually larger than 100 acres, smallholding ranged from four to 10 acres and the size remained unchanged up to the 1960s (Table 5.3).⁵⁸ They were mainly operated by Chinese and Malays.

Table 5. 1. Rubber estates in Johor in 1916 and in Riau Islands in 1910.

Owner	Number of estate	Total area	Under rubber	Cultivated	Production	Labour force
		Acres	Acres	Acres	Lb	
Johor, 1916						
Chinese	39	58,203	15,990	16,360	99,400	664
	26%	19%	12%	11%	1%	2%
European	63	180,848	83,687	93,201	12,334,679	23,126
	59%	61%	63%	90%	81%	59%
Indian	1	-	-	-	-	-
	1%	-	-	-	-	-
Japanese	40	58,424	33,659	34,144	760,000	4,028
	26%	19%	25%	23%	6%	14%
Malay	6	3,730	576	576	15,800	120
	1%	0%	0%	0%	0%	1%
Sultan	2	2,842	2,842	2,842	490,938	625
	1%	1%	2%	2%	4%	2%
Total	151	304,047	136,754	147,123	13,700,817	28,563
The Riau Islands, 1910						
European	10	14,233	4,219	34,609	83,760	-

Source: JAR (1916), SHS (1910).

⁵⁵ *Browns Malayan Economic Review*, vol. 1, 1951, page 53.

⁵⁶ Mohamed, *Export Trade*, 27.

⁵⁷ *Straits Times*, 12 August 1948, Page 7.

⁵⁸ Selvadurai, *Socio-economic Survey of Rubber Smallholders in West Johore*.

Table 5. 2. Rubber export quotas for Johor, 1934-1939.
(percentage share)

	1929-32	1934	1935	1936	1937	1938	1939
Estates	49.8	57.9	54.3	58.5	58.9	59	57.2
Smallholdings	50.2	42.1	45.7	41.5	41.1	41	42.8

Source: *Malay rubber: the interwar years*, 292.

Table 5. 3. Acreage of land planted and number of parcels in estate agriculture in Johor in the 1960s.

	Land operated		Rubber land		Coconut	Others
	Acres	No. parcels	Acres	No. parcels	Acres	Acres
Potion	9.8	2.2	8.6	1.9	0.7	0.5
Muar	14.5	4.1	12.3	3.1	1.2	1
Batu Pahat	11	2.6	9.6	2.2	0.9	0.4

Source: Selvadurai, *Socio-economic Survey*, 2.

The number of smallholdings increased much faster than the estates. Only in Muar, 4,797 extracts were issued in exchanges for *Surat Sementara*, which were temporary titles issued to smallholders pending demarcation and settlement in 1925.⁵⁹ In the Riau Islands, during the period of export expansion in the first four decades of the twentieth century, peasant smallholders played a much greater role.⁶⁰ The Great Depression of the 1930s led to a steep decline in agricultural prices which hurt both Western estates and indigenous smallholdings. Crop production at various estates contracted as a result of export restriction schemes. However, in the Outer Islands (including the Riau Islands) in the Netherlands Indies, these restriction schemes proved ineffective, notably with the rubber smallholders who increased their output through increased tapping to maintain income levels in the face of declining

⁵⁹ JAR (1925).

⁶⁰ Thee, 'The Impact', 12.

rubber prices.⁶¹ This also took place in Johor. Up to the late 1930s, rubber smallholdings began to outnumber estates in planted areas. In Johor, in 1932, some 60 per cent of the rubber was still planted on estates. Up to 1939, the total area of rubber smallholdings plantation exceeded that of estates (Table 5.4). In the Riau Islands in 1936, a total of 9,415 smallholdings were recorded. The situation was completely overturned in the post-war period when large estates vanished from rubber cultivation and smallholders became the dominant producer. An Indonesian farmers' co-operative association was formed in Tanjung Pinang in 1953, named the *Koperasi Rakjat Tani Kabupaten Riau di Tanjung Pinang*. The association had more than 300 members, most of whom were owners of rubber, coconut, and fruit plantations.⁶² Up to 1970, the total planted area by smallholders was almost three times that of estates (Table 5.5).

In general, the estates were more important in the colonial period, whereas smallholders gained significance in the post-war era. Their growth reflected the picture as a whole of regional rubber plantation (Figure 5.1). Attracting more capital, rubber estates in Johor had a greater economic significance than in the Riau Islands during the colonial period. However, their importance declined after the war, influenced by the world market. By contrast, rubber plantations in the Riau Islands kept growing after 1960 because of the rising importance of smallholders. From this point of view, the integration of Johor into the post-war world market was deeper than the Riau Islands.

Table 5. 4. Land planted with rubber in Johor, 1906-1970.
(thous. acres)

	1906	1910	1916	1925	1932	1940	1960	1970
Total	4	48	137	470	970	954	550	462
Estates	-	44	75	302	459	560	-	161
Smallholdings	-	41	62	168	511	395	-	301

Source: JAR (1906, 1910, 1916, 1925, 1932, 1940), RSH (1960, 1968-1972).

⁶¹ *Ibid.*, 14.

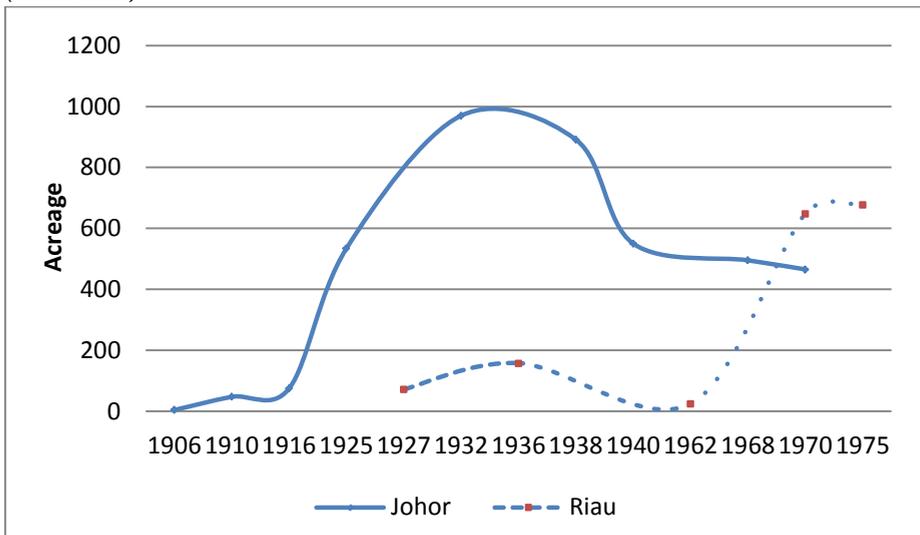
⁶² *Straits Times*, 14 December 1953, Page 7.

Table 5. 5. Land planted with rubber in Riau, 1927-1975. (acres)

		1927		1936		1970		1975	
		No.	Acres	No.	Acres	No.	Acres	No.	Acres
Estates	The Riau Islands	21	34,029	22	42,052	77	24,713	92	18,070
	Indragiri							38	
Smallholders	The Riau Islands	-	38,029	9,415	66,246	-	623,436	-	162,051
	Indragiri			26,756	49,715				497,705
Total		21	72,058	36,193	158,013	77	648,149	130	677,826

Source: MCKS (1927, 1936).

Figure 5. 1. Land planted with rubber in Johor and Riau, 1906-1975. (thous. acres)



Source: Table 5.3, Table 5.5.

Diversification: palm oil

Although rubber staged a rapid expansion in Johor in the late colonial period, its relative share in the total agricultural production declined steadily from 75 per cent in 1928 to 54 per cent in 1932 as a result of the expanding plantation of oil palms.

Oil palm seeds were brought to Johor as early as 1875. However, planting was not widely established until the 1920s when rubber prices fell. Palm oil was regarded as a possible alternative to rubber. Thus, when Johor recovered from a decline of rubber production in the 1920s, oil palm plantation was again undermined by rubber. In 1929, there were only 27 oil palm estates in Malaya, five of which were in Johor. By 1933, the number had increased to six. The products from palm oil estates were exported by railway in tank wagons to Singapore for shipment to a palm oil bulking company.⁶³ During the Japanese occupation, palm oil plantations were neglected and many of the expensive factory installations were destroyed.⁶⁴ Great efforts were made to rehabilitate the plantations immediately after the war. Guided by the Malayan government's liberal policy, the palm oil plantations in Johor underwent a rapid expansion. For the early 1960s, statistics record only 32 estates in all of Malaya.⁶⁵ However, the number increased to 121 in 1965, 19 of them located in Johor with acreage of 79,501 acres, producing 62,881 tons of palm oil and 14,315 tons of kernels, accounting for more than 40 per cent of total Malaysia production (Figure 5.2).⁶⁶ Today, palm oil has already gained a predominant position in agricultural estate production.

Table 5. 6. Planted area for palm oil in Johor, 1930-1972.
(thous. acres)

Year	Acreage, mature	Acreage, total
1930	9,092	20,422
1933	12,190	30,067
1939	29,934	36,621
1968	96,016	179,695
1969	125,584	204,736
1970	152,597	231,202
1971	172,374	250,702
1972	193,799	292,154

Source: JAR (1930, 1933, 1939), OCTS (1968-1972).

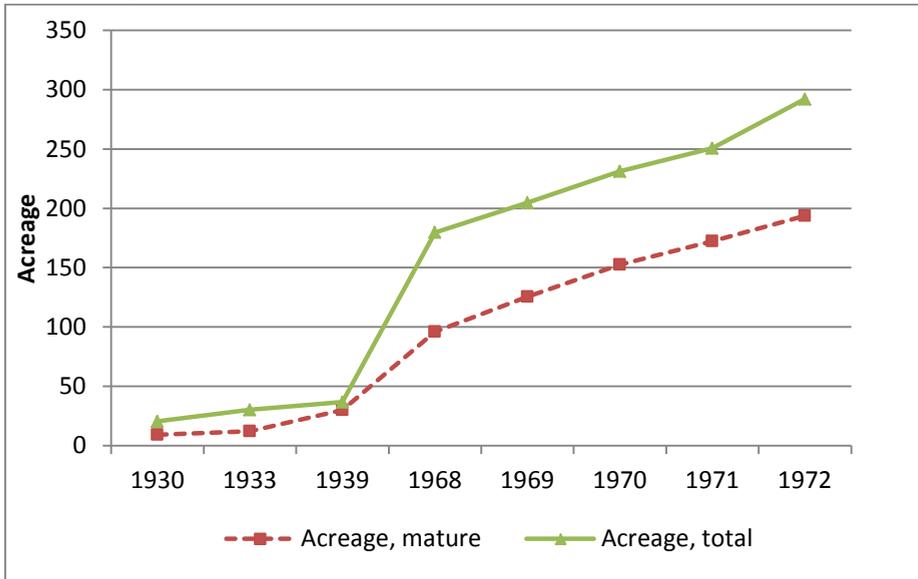
⁶³ JAR (1933).

⁶⁴ Khera, *The Oil Palm Industry of Malaysia: An Economic Study*, 25.

⁶⁵ Lim, *Johor*, 33.

⁶⁶ Williams and Xu, *Oil Palm Cultivation in Malaya: Technical and Economic Aspects*.

Figure 5. 2. Land planted with palm oil in Johor, 1930-1972.
(thous. acres)



Source: Table 4.6.

Although Indonesia has been an important palm oil producer next to Malaysia in the post-war period, this profitable cultivation did not appear in the Riau Islands in the period under study.⁶⁷ Since the 1970s, estate groups under public ownership began setting up large oil palm plantations on mainland Sumatra. Nevertheless, the mainland Riau Province did not become a plantation area of palm oil until the 1990s and these plantation have not extended to the Islands!⁶⁸ No agricultural diversification took place in the Riau Islands.

Like rubber, the plantation of palm oil was also initiated by large European estates. The Malaysian estates were mainly owned by private individuals or by groups which exercised management functions. The Palm Oil Plantation with its head office in Singapore was the largest company engaged in this cultivation in Johor with a planted area of more than 10,000 acres in Kluang district in the colonial period, representing a complete British dominance.⁶⁹ After the Pacific War, many of these

⁶⁷ Comparative development of oil palm plantation and production could be obtained from the statistics given by ASEAN Secretariat, *ASEAN Selected Statistics, 1967-1983*, 19-21, 148-9.

⁶⁸ Corley et al., *The Oil Palm*, 14-7.

⁶⁹ Oil Palm Development in Malaya, *Singapore Free Press and Mercantile Advertiser*, 7 January 1930.

estates were still controlled by Europeans as property of public companies which, in turn, were managed by British agency houses. Central control under a common agency firm enabled groups of estates to achieve greater efficiency and stability by drawing from a pool of specialized services and capital resources. Therefore, 'the Management Agency System is an organic link between home capital and overseas enterprise in the Eastern plantation industry.' Foreign-owned estates in 1972 accounted for 68 per cent of the total acreage of palm oil estates in Peninsular Malaysia.⁷⁰ It is evident that the European estates' capital inputs were large. By contrast, the Malay estates, particularly the smallholdings, few inputs were monetized.⁷¹

Post-war development saw an increase of local capital from of smallholders (Table 5.7). It was due to some factors in the 1950s and 1960s, in particular the emphasis on economic diversification away from rubber as promoted by the Malaysian government.⁷² Guided by the government's liberal policy, oil palm plantations achieved a rapid expansion, attracting and settling people in new rural areas.⁷³ This was further stimulated by the foundation of FELDA (Federal Land Development Authority) and KEJORA (Kemajuan Johore Tenggara Development Authority) which encouraged the smallholding sector to engage in more extensive cultivation of oil palm.⁷⁴ FELDA was established in July 1956 to channel funds into development of the remoter parts of the country. It has, since 1960, been directly responsible for the actual development, ranging from land clearing, planting of main crops, development of villages, selection and emplacement of settlers, management of projects, provision of credit, processing, marketing service, and facilitating social and community development. As the main government agency involved, it represents the largest single producer of palm oil in Malaysia. KEJORA is another State land development authority which was established in June 1972 in Johor State in order to develop 750,000 acres of land as recommended by the Johor Tenggara Master Plan which was formulated in line with the main objectives of the NEP. By 1980, a total of 31,466 acres of land was developed for oil palm plantation. Up to 1985, 55 projects for palm oil and rubber were carried out in Johor, covering 328,120 acres of land.⁷⁵

⁷⁰ Khera, *The Oil Palm*, 128-31.

⁷¹ *Ibid.*, 135.

⁷² Pletcher, 'Regulation with Growth: The Political-Economy of Palm Oil in Malaysia'.

⁷³ Hackenberg, 'Urbanization and Migration in Asean Development'.

⁷⁴ Anuwar, *The Palm Oil Industry*, 2.

⁷⁵ Hotta and Wang, *Fishermen Relocation Programme in Peninsular Malaysia*.

Table 5. 7. Estates and smallholders in palm oil production in Johor, 1968-1976.
(thous. acres)

	1968	1969	1970	1971	1972	1973	1974	1975	1976
Estates	149.7	169.2	182.9	198.2	222.4	249.5	291.5	318.3	339.7
Small holdings	30.0	35.5	48.3	52.5	69.8	100.4	131.2	173.6	162.0

Source: OCTS (1968-1976).

From a comparative perspective, the unbalanced regional distribution of ethnic capital and differential effects of governmental policies resulted in dynamic connections between the three regions. A primary sector in Singapore did not exist, whereas in Johor and the Riau Islands, regional agricultural economy was initiated by the expansion of pepper and gambir from the second half of the nineteenth century. The development of gambir and pepper plantations in the nineteenth century relied more on intensive Chinese work than capital. Very few successful Chinese cultivators could normally net an income of about £120 to £160 a year.⁷⁶ Therefore, the main wealth of both Johor and the Riau Islands was not realized until the large influx of capital in rubber and palm oil, both of which required large investment. After achieving independence, the state of Singapore's agriculture was still increasingly marginalised in terms of high labour inputs, low applications of technology.⁷⁷ By contrast, a considerable diversification took place in post-war Johor as guided by government, especially after the implementation of the NEP of Malaysia from 1971. It was indicated by the widely cultivated oil palm, which gradually replaced rubber as the most important regional agricultural product. By contrast in the Riau Islands, the agricultural structure was less diversified, with a continued high dependence on rubber. Although other crops, such as copra and pineapple, performed a complementary role in all regions, they did not have much to contribute to commercial agriculture.

In terms of capital investment in the primary sector, Chinese, Europeans and Malays were represented in all three periods. Chinese and Europeans were in favour of cross-regional investment. A large proportion of Chinese planters and European estates were Singapore-based but spread their business to Johor and the Riau Islands. Determined by the scale of their capital, the regional connections created by Europeans through rubber plantation were much stronger than Chinese pepper and gambir relationships. By contrast, Malay smallholders tied themselves firmly to the land where they stayed. The flourishing of smallholders in the post-war period

⁷⁶ Selat, 'The Emergence of Commodity Production in a Malay District - Muar, Johor', 326.

⁷⁷ Neville, 'Agribusiness in Singapore: A Capital-Intensive Service'.

indicated a loosening connection between Singapore, Johor and the Riau Islands. This was catalyzed by the Malaysian and Indonesian policies of achieving full economic independence. In fact, the Malaysian agricultural plantations have depended heavily, and still, to a large extent, on foreign capital and entrepreneurship. European capital has long dominated the Malaysian agricultural production with a considerable degree of vertical integration.⁷⁸

2. Manufacturing

The development of the agricultural sector fostered the formation and expansion of the manufacturing sector. To fulfil world demand for manufactured exports, many processing and supporting industries were set up as a result of backward and forward linkages. Different from agriculture's concentration in Johor and the Riau Islands, most factories were established in Singapore, than extended to the producing area of these raw materials. This section provides detailed surveys of agricultural industries, mining industries, forestry production and individual supporting industries.

Agroprocessing industry

A common and traditional definition of agroprocessing industry refers to the subset of manufacturing that processes raw materials and intermediate products derived from the primary sector.⁷⁹ Considering the relative importance of different agricultural products, main attention is paid to the processing industry of commercial agriculture and food production. According to the period of their emergence and scale, they are distinguished as early establishments and modern industries.

Traditional establishments

The embryo of regional industries came from the treatment of gambir. Except for its traditional use as an ingredient of betel drug, gambir was also processed in the form of small cubes or round cakes to meet the demand from Western leather industries, resulting in the establishment of tanning, dyeing and brewing industries in Singapore in the course of the nineteenth century.⁸⁰ In 1889, there were 40 dyers and 20 tannery establishments in the city to process gambir, which was mainly supplied by Johor and the Riau Islands. A few other processing industries, for the products such as copra, sago and oil, were also set up, but on a smaller scale (Appendix xxxvi). With very few exceptions, these factories were privately owned by the Europeans with extensive connections with businesses scattered throughout British Malaya and the

⁷⁸ Khera, *The Oil Palm*, 20.

⁷⁹ FAO, *The State of Food and Agriculture, 1984: World Review: The Ten Years since the World Food Conference Urbanization, Agriculture and Food Systems*.

⁸⁰ Colombijn, 'Of Money'.

Netherlands Indies.⁸¹ The establishment of these industries and the expansion of plantations were founded on large labour inputs and hard work rather than skill and capital. This resulted in a large increase of immigration and rapid population growth, which in turn required the establishment of food production manufacturing, which was mainly operated by European firms.

Very few industries were actually owned by Chinese. In Singapore in 1889, they only possessed five food production factories: Chua Lum (rice mill), Low Juan (sago factory), Ang Say Beng (sago factory), Wee Bin (sago factory), Wee Guan Ho (sago factory). There was also a Ho Ho Biscuit Factory founded by Chew Boon Lay later in the 1890s.⁸² Compared to Europeans, the Chinese capitalists had a disadvantaged position in terms of number and size of their firms. Faced with various problems, these small-scale Chinese factories were vulnerable to external disturbances. Among these Chinese factories, there was only one, Ang Say Beng, which was still in operation up to 1907.

Due to fierce European competition in Singapore, Chinese capitalists invested their capital more in Johor and the Riau Islands. Both numbers and scale were much smaller than in Singapore. In Johor, the earliest notable enterprise was the Malacca Rubber and Tapioca Company, formed in 1898 by a syndicate of the Chinese, Tan Chay Yan, who in the same year showed samples of rubber at the Malacca Exhibition.⁸³ Some other industries included sago processing and fisheries. In the Riau Islands, Chinese capital was found in the agroprocessing industries of lime-kilns, sago-rasp and sago-wash. Although the processing industries of copra, sago, rice and other food production industries were not comparable to modern and heavy industries in terms of capital, technology and output, they still played a supplementary role in regional economic development. Up to the 1970s, this pattern of early industries was still the same in the Riau Islands, which suggests a limited industrial diversification and technical improvement (Appendix xliii).

Modern industries

In the twentieth century, industrial development was characterized by expansion of existing industries and the creation of new enterprises. The emergence of rubber and pineapple plantations, especially, required the establishment of rubber processing industries and cannery and preservation factories. The rise of these establishments formed the foundation of modern agroprocessing.

⁸¹ SYB (1947).

⁸² STDS (1891, 1907).

⁸³ Drabble, *Rubber*, 21.

Rubber processing

In connection with the preparation of rubber, the creaming process for concentrating latex was worked on a commercial scale.⁸⁴ In around 1910, the world saw the first rubber boom, with the Malay states the chief rubber producer. The rubber industries were also worked on a commercial scale on estates in Singapore, financed not only by European merchant houses but also by Chinese smallholders supported by their *chops*.

Later on, they were also established in Johor and the Riau Islands but in limited numbers. In 1932, there were two revertex plants and a large central factory using centrifugal concentrators working in the state of Johor.⁸⁵ One of them was the Lee Rubber Company, founded by a Singaporean Chinese, Lee Kong Chian. Starting as the Lee Smoke House in Muar, Lee Rubber gradually became the largest Chinese rubber processing factory in Johor. These Chinese industries in Johor were not only involved in planting but also in rubber processing, export and trade. They soon diversified into tapioca processing, pineapple canning, small ice factories, aerated water plants, engineering workshops, printing works, beer distilleries, brickworks, china clay, jelutong, plywood, etc.⁸⁶ The establishment of these industries was more limited in the Riau Islands where in the early 1900s there were only four European factories established, including Galang Noembing, Kepala-Djeri and Kelong, which employed Javanese contract labour and produced rubber and copra.⁸⁷

In Singapore, the rubber (re-milling) industry remained active and important in the colonial period, despite unstable prices and various restriction schemes, until the 1950s when the quantity of wet slab arriving from neighbouring territories was not large and the cost of local rubber was relatively high. In 1947, there were eight Chinese companies operating 12 milling factories and two European companies operating one each which employed a labour force of more than 5,000.⁸⁸ But many millers found it exceedingly difficult to maintain adequate working stocks.⁸⁹ Up to 1970, among the total of 1,790 industrial establishments, only 27 were engaged in rubber processing with a total of 4612 workers,⁹⁰ dropping from 5,683 in 1958.⁹¹ However, in Johor and the Riau Islands, especially the latter, rubber processing was still the regional pillar industry (Table 5.8).

⁸⁴ JAR (1932), 15.

⁸⁵ JAR (1932).

⁸⁶ JAR (1933).

⁸⁷ MvO: Riouw en onderhorigheden (1908).

⁸⁸ SYB (1947), 59.

⁸⁹ CSAR (1956), 88.

⁹⁰ YSS (1971/1972), 48, 53-4.

⁹¹ MSMDESS (1960), 11-3.

Table 5. 8. Rubber processing industry in Johor in 1966 and in Riau in 1973.

Johor						
	Hua Lian Rubber Manufacturers Company Limited					
Rubber	Revertex limited					
manufacturer	Shum Yip Leong Rubber Works Limited					
	Waterhouse Rubber Rroducts Limited					
Riau						
	Pakan- baru	Kampar	Indragiri Hulu	Indragiri Hilir	Bengkalis	The Riau Islands
Rubber	1	-	4	1	6	-
fumigation						
Crumb rubber	4	3	2	-	5	3

Source: SMD (1966), RdA (1975).

Pineapple canning

Pineapple canning was another light industry carried out mainly by Chinese estates and smallholders because of the low requirements in technology and capital. According to an article on the pineapple preserving industry in Singapore in 1908 by E. de Kruff, the industry was not favoured by European capitalists, although Singapore took the lion's share of the preserved pineapple export trade. Almost all the factories were in Chinese hands. European hesitation in canning was probably due to the following reasons:

1. Speculation in the product. Owing to lack of working capital, the packers had to sell their product at once, and could not wait for a more favourable market. At the auctions in London and Liverpool, speculators manipulated the price with disastrous results to the Chinese preservers, who worked with insufficient capital.
2. The advance system. By receiving advances in money and in raw materials, such as tinsplate, the preservers were at the mercy of exporters.
3. Want of capital. This represents the employment of machinery to secure important saving in manual labour.⁹²

As early as 1902, some Chinese business firms were also engaged in the sale of pineapple preserving machines, implying the emergence of the canning industry.⁹³ The first Chinese cannery in Singapore was initiated by Seah Eu Chin and his son Seah Liang Seah under their *Chop* Chin Choon and *Chop* Chin Giap. Later, Tan Taw Hee built up a flourishing tinned pineapple factory under the *Chop* Tek Watt. The fruit was obtained from Tanjung Pinggi and Pulu Batam, until its cultivation was

⁹² Song, *One Hundred Years' History*, 428.

⁹³ Kim Hoe & Co., see *Straits Times*, 4 January 1902, Page 3.

superseded by rubber.⁹⁴ In 1906, 16 factories in Singapore produced 707,943 cases⁹⁵ of preserved pineapples, which would represent an average daily output of 4,500 tins from each factory. In 1936, there were still 13 factories employing more than 15,000 Chinese labourers.⁹⁶

Post-war canning in Singapore was still maintained as a Chinese business. In 1949, there were three canneries operating in Singapore, producing 189,958 cases of canned pineapple, and represented 33 per cent of the total Malayan production.⁹⁷ In 1956, the sole Pine-Apple Preserving Company produced a total of 13,715 tons of canned pineapple in Singapore, representing an increase of 64.16 per cent over 1955. The company used 28,486 tons of small growers' pineapples (3.75% were grown in Singapore, 11% from the Riau Islands, and 85% from the Federation).

Such Chinese business was also extended to Johor in 1924. The best known was the Lee Pineapple Company. It was a landmark in Skudai and passers-by could hear the distinct pong of the canning waster as they approached the factory. The Lee Pineapple Company is also the only surviving cannery today.⁹⁸ Post-war canning saw more participation of smallholders. In 1947, a committee was set up in Johor to discuss the re-organization of the industry.⁹⁹ There were five estate canneries in Johor in the 1970s: the Lee Pineapple Cannery, the United Malayan Pineapple Cannery, the Lam Huat Cannery, the Pineapple Cannery of Malaya, Pekan Nenas, and the Pineapple Cannery of Malaya, Pulau Sebatang.¹⁰⁰ In a registration of smallholdings in Johor by Wee in 1971, 64% of the smallholdings were less than five acres, 26% in the five to 10 acres groups, 6% in the 10 to 15 acres group, 2% in the 15 to 20 group, and the remaining 2% over 20 acres.¹⁰¹ The harvested fruits were usually transported by bicycle from the collecting point to the roadside, a distance of about 1.3 miles.¹⁰² All the fruits grown by the smallholders were sold to the canneries through organizations or individuals authorized by the Malayan Pineapple Industry board. There were pineapple marketing cooperatives, farmers associations and licensed pineapple dealers. The private dealers or vendors were more popular because of their long acquaintance, prompt payment and availability of lorry transports. The private dealers (as marketing agents) transported the fruits from the roadside to the canneries.

⁹⁴ Song, *One Hundred Years' History*, 429.

⁹⁵ 36 tins = 1 case.

⁹⁶ CO273/620/14: Labour Disputes in Malaya

⁹⁷ CSAR (1950, 1967).

⁹⁸ Lim, *Johor*, 34.

⁹⁹ SYB (1947), 56.

¹⁰⁰ Lee, *Economics of Pineapple Smallholdings in Johore*, 20-4.

¹⁰¹ *Ibid.*, 4.

¹⁰² *Ibid.*, 20.

Palm oil industry

The first European palm oil industry in Johor, the Elaeis Estate Factory, was set up by Tungku Mahkota in August 1929 using hydraulic presses.¹⁰³ In the following decades, the palm oil industry underwent rapid development. In 1933, another two estates lay down light railway systems, one of them allowing truck transport direct from factory to port. On Ulu Remis estates, the sultan opened a spacious factory fitted with a Stork Expression Plant capable of dealing with the output from 8,000 acres of palms.¹⁰⁴ However, the palm oil industry was completely neglected during the period of Japanese occupation. It did not recover until the implementation of the government's diversification policies in the 1950s. Under the FELDA and KEJORA systems, many smallholders' palm oil industries were set up in the plantations. One of the joint ventures owned by the FELDA in Johor, Johore Bulkera, was established in 1974 with 12 palm oil producers providing storage and export facilities for palm oil. Other important companies included Johor Oil Palm Plantations¹⁰⁵, Kamayan Oil Palm¹⁰⁶, Kahang Palm Oil Mill (KPOM)¹⁰⁷, and Kulim (Malaysia).¹⁰⁸ In total, 10 palm oil mills and one large palm oil bulking installation were planned at a port near Johor Bahru by FELDA during the Second Malaysia Plan (1971-1975).¹⁰⁹ Such local dominance showed that, compared to the colonial period, the capital connection with Singapore through Western agency firms had been cut off.

Lacking oil palm plantations, this type of industry was absent in the Riau Islands. Only in the 1980s were some projects planned to introduce the palm oil industry. In 1982, the Palm Oil Plantation and Processing Plant was expected to be established by PMDN (*Penanaman Modal Dalam Negeri*, domestic investment) in Keritang district in Indragiri Hilir.¹¹⁰

¹⁰³ JAR (1930).

¹⁰⁴ JAR (1933).

¹⁰⁵ *Straits Times*, 20 September 1984.

¹⁰⁶ *Singapore Monitor*, 22 November 1982.

¹⁰⁷ *Ibid.*, 20 September 1984, Page 24.

¹⁰⁸ *Ibid.*, 12 June 1985, Page 22.

¹⁰⁹ Lee, *The Monetary and Banking Development of Singapore and Malaysia*, 197.

¹¹⁰ Regional Investment Coordinating Board of Riau Province, *Project Information: Palm Oil Plantations and Processing: Rubber Plantations and Processing*.



Oil Palm estates in Segmat, Johor

Mining

Rich mineral deposits formed an asset which, next to commercial agriculture attracted much capital. Overseas Chinese had been engaged in small-scale tin mining in Malaya since the eighteenth century by using traditional washing methods. The arrival of Europeans and their method of dredging – a capital-intensive method – improved the productivity of mining. Up to the early twentieth century, European production accounted for about two-thirds of Malaya's output.¹¹¹ Many of these Western mining companies were registered in Singapore. In 1891, there were three engaged in mining on the Malay Peninsula: the Jelevu Mining and Trading Company, the Mahlembu Mining Company, and the Raub Australian Syndicate. In 1907, the total number of mining companies increased to 15, representing a rapid increase of European capital investment. The majority of tin ore was transported to Singapore for smelting. In 1891, there was one tin smelter located at Pulau Brani, off Singapore. The Straits Trading Company's new smelter at Butterworth in the Federation of Malaya treated part of the ore formerly sent to Singapore.¹¹²

Although tin ore was also found in Johor near the Kota Tinggi district on the alluvial plain of the Johor River, extending to the slopes of the mountains Panti and Mentahak, these mining sites did not attract much European capital. The tin deposit in Johor was not as rich as in Pahang, and Johor was a place that European methods could not possibly be introduced due to their demand for large capital.¹¹³ In the early twentieth century, there were only two European mining companies conducting

¹¹¹ Kratoska, *The Japanese Occupation*, 20.

¹¹² CSAR (1956), 86.

¹¹³ Lake, *Johore*, 281-97.

business there: the Royal Johore Tin Mining Company, registered in Singapore, and the Tengkil Tin Syndicate, registered in Johor. In 1932, another company, Pelepah Tin Dredging Company, was the only dredging technology applied in Johor.

On the local side, although Malays had been mining tin for centuries, their activities were carried out on a smaller scale, and Malays played little part in the new mining industry. Some Chinese mining industries were set up here, yielding good return by using the labour-intensive hydraulic and gravel pump method.¹¹⁴ These Chinese capitalists, however, were completely Singapore-based. The first tin mining in Johor was set up by Mr Seah Cheng Joo, younger son of Seah Chiam Yeow. Since 1915, he had been engaged in tin mining at Mersing with Seah Eng Kiat. Another Chinese, Tan Kim Wah, born in Singapore in 1875, went to Johor to try his fortune at the tin mines in the early twentieth century. Under prospecting licences, he worked both in Johor and Siamese States for a number of years. In 1914, his partner, J. C. Robertson, while tracing a footpath at Ulu Jemluang, Johor, came across some rich tin land in the Ulu Jemluang Valley. Eventually he secured a mining concession from the colonial government. Another Chinese tin mining business, the Hap Liong Company formed by Tan Wi Yan, Sim Cheng Mia, J. C. Robertson, and E. Fong Seng, Wong Siew Yuen, and the Ulu Jemluang Tin Mines, had both been worked since with great success.¹¹⁵ From 1910 onwards, deposits of alluvial tin were worked in the neighbourhood of both the Johor and Muar rivers and further deposits were believed to exist in the Endau Valley, but up to then no extensive fields had been located there.¹¹⁶ In 1920, some reports pointed out the existence of oil and coal, but no serious attempts were undertaken to explore these sites.¹¹⁷ The following decade saw a decline of the Chinese tin industry as a result of its inability to compete with modern technology and equipment.¹¹⁸ Other mining industries worked on a small scale. In addition, there were also other industries of clay, gold washing and wolfram productions that showed a strong Chinese influence.¹¹⁹

More extensive mining exploration took place in Johor from the 1920s by the Japanese who showed a great interest in the production of iron and bauxite ore.¹²⁰ Iron ore mining was initiated by the Japanese Haematite (Iron-Ore) Mine at Bukit Medan. In 1932, a new company was set up by Chinese on the Sedili River in this year. The 1940s saw more Japanese business: the Sri Medan Mine, Batu Pahat; the Iizuka

¹¹⁴ Ibid.

¹¹⁵ Song, *One Hundred Years' History*, 355, 519.

¹¹⁶ JAR (1910), 2.

¹¹⁷ JAR (1910), 2.

¹¹⁸ Ng, *The Chinese*, 38.

¹¹⁹ JAR (1925).

¹²⁰ Kratoska, *The Japanese Occupation*, 20.

Mine, Endau. However, the Sri Medan Mine was closed down during the Japanese occupation, partly owing to lack of ore resources and also because the machinery was required for mining bauxite. Compared to iron, bauxite revenues were much richer in Johor. It was also initiated by the Japanese in 1936 at Batu Pahat. In 1938, another unit was opened at Kim Kim by a Chinese miner. Another two new mines were opened during the Japanese occupation, one in Malacca, and one, the Nangan Mine, in southeast Johor. The Nangan near Pengarang was started to exploit several deposits covering a large area in this neighbourhood. In 1949, there were 14 bauxite ore mines in the state, the majority of which indicated the investment of Japanese capital. Development continued in the post-war period. In 1964, there were 53 mines in total, producing tin, iron and bauxite. The number increased to 71 in 1965 and 94 in 1967.¹²¹ The largest three were the Ramunia Bauxite (Telok Ramunia)¹²², the Southeast Asia Bauxite (Telok Ramunia), and the Heah Joo Seang Rubber Estates. Most of these mines were located in Kota Tinggi, Mersing and Muar. In Kota Tinggi, especially production from this district accounted for more than 90 per cent of the ores produced in the state. Mining in the colonial period had shown European importance, whereas after the 1950s,¹²³ most of these ores were exploited by Asians, especially Japanese who had a dominant position in this business in Johor.¹²⁴

Table 5. 9. Labour force in mining in Johor, 1931-1966.

	Iron	Tin	Gold	Bauxite	China clay	Total
1931	1228	1707	-	-	-	-
1932	956	871	50	-	5	1882
1936	2143	2072	32	55	2	4304
1937	1875	2426	-	209	18	4538
1938	1597	1847	22	742	-	4208
1949	-	-	-	750	-	-
1961	-	-	-	320	-	-
1966	881	725	60	424	-	2090

Source: JAR (1931- 1941), ARFM (1949, Department of Geological Survey, Department of Mining Industry), ASTSIJB (1963), ABSM (1964, 1968).

The development of the mining industry in Johor is apparent from the labour force employed (Table 5.9): the 1930s can be regarded as a golden age of mining in Johor. In the Riau Islands, the Chinese population was also engaged in tin mining, but most of them were wage-earning labourers rather than capitalists. The large

¹²¹ A complete list of the mining companies is provided by SMD (1966).

¹²² Closed in 1961. See West and Wang, *The Mineral Industry of Malaysia*, 1393.

¹²³ Production of tin ore of Johor in 1949 showed: 67 per cent from Europeans mines and 33 per cent from Chinese mines. See ARFM (report of mining industry) 1949, 11.

¹²⁴ ASTSIJB (1963).

investments in tin mining were from European capital.¹²⁵ Here, the mining industry was operated by the *Singkep Tin Maatschappij* (Singkep Tin Company) which obtained the only concession from the sultan for the mining industry in Singkep (1899, eight pits in Dabo and seven pits in Raija). In the early twentieth century, the company also extended its business to Karimun and Pulau Kundur to exploit tin.¹²⁶ Even though, the volume of tin smelted was insignificant. From July 1904 to June 1905, the Singkep Tin Company produced 6,007 piculs tin, 632 piculs coming from the company in Kedah (Malacca). In the 1920s, explorations were conducted in the Riau Islands for tin ore deposits. The spread of tin ores in Bintan and Batam was much wider than expected. Various other minerals were also found in the vicinity, and also in the Natuna Islands. Production of tin in 1920 amounted to 11,648 Straits piculs. Production of tin in 1920 amounted to 11648 Straits piculs and the average labour force was 646 men, all Chinese.¹²⁷ In 1933, the Singkep Tin Company was bought up by the Billiton Company, which had engaged in tin exploitation on the like-named island since 1860 by virtue of a government concession.¹²⁸ In the late 1930s, the *Nederlands-Indische Bauxiet Maatschappij* (Dutch East India Bauxite Company) started exploiting bauxite from its concession in Bintan.¹²⁹

The tin ore was first delivered by company ships to Bangka, from where it was transhipped to Singapore. Compared with Johor, production from the Riau Islands was rather limited. Nevertheless, it did suggest a connection with Singapore and this area. Mining was continued in the post-war period. In 1968, the production of bauxite from Bintan, entirely mined by state enterprise P.N. Aneka Tambang, amounted to 879,323 tons, as compared to 275,000 tons in 1940. Ninety per cent of the production was taken over by Japan, who showed growing interest in developing bauxite industries in Bintan. In 1972, some Japanese companies, including Sumitomo, Nipon Light Metal, and Showa Denka designed an alumina project on Bintan. Singkep mine was still in operation, producing around seven per cent of Indonesia's tin concentrate around 1970.¹³⁰

Forest production

One regional agricultural production with a non-Western character, but with some economic importance, was forestry, locally referred to as panglong industry, a

¹²⁵ Ng, *The Chinese*, 38.

¹²⁶ MvO: Riouw en onderhorigheden (1908).

¹²⁷ KV (1922), 322-7.

¹²⁸ Ibid. (1905), 277-8.

¹²⁹ Touwen, *Extremes*, 90.

¹³⁰ Esmara, 'An Economic Survey'.

timber-exploitation concern run by Chinese engaged in beam-cutting mills, sawmills, firewood mills, and charcoal-burning plants. Panglong enterprises had spread from the Riau Archipelago along the east coast of Sumatra and to the small islands off North Sumatra Residency and Sumatra's East Coast Residency, especially on the Bintan group and Karimun Island around Singapore as far back as the mid-nineteenth century. In the 1890s, many of these islands were deforested after three decades of exploitation.¹³¹ Nevertheless, in the Riau Islands, both numbers and output were still on a significant scale (Table 5.10).

Table 5. 10. Wood industry in Riau Residency in the early twentieth century.

	Beams	Firewood	charcoal
Indragiri		8	
Karimun	3		29 (75 ovens)
Kateman	16	4	
Tanjung Pinang			95 (182 ovens)
Lingga	3		64 (118 ovens)
Bengkalis	65	33	72 (200 ovens)

Sources: Cartor, *The Economic Position*, 217-20.

In Johor, a cursory inspection suggested that the Johor forests were exceptionally rich in valuable timber, if they were properly cared for.¹³² Most timber from Johor was exported, while some sawn softwood sawmills were imported from adjacent Sumatra (including the Riau Islands). All the timber enterprises were founded by Chinese, which shows their close relationship with the Riau Islands. These Chinese, like those in the Riau Islands, were also Singapore-based. One of them was Lee Keng Liat, who owned businesses both in the Straits Settlements and Johor, and who established the only sawmill factory in Muar, the Muar Steam Saw Mills. A Western factory also existed temporarily, the Johor Steam Saw Mills Company, set up by European timber merchants.¹³³ In the Riau-Lingga Archipelago, as well as in Inragiri, Bangka, and Bengkalis, Chinese *tauke* from Singapore exploited the forest, paying export duties on the wood and taxes on charcoal-burning facilities and labour.¹³⁴

¹³¹ Cator, *The Economic Position of the Chinese in the Netherlands Indies*, 217-8. See also, Erman, 'Tauke, Kuli dan Penguasa: Eksploitasi Hutan Panglong di Riau'.

¹³² JAR (1910), 9.

¹³³ STDS (1891), 293-4

¹³⁴ Touwen, *Extremes*, 91.

in operation, all Chinese-owned, employing Chinese labour and importing timber from Indonesia and Malaysia.¹³⁸

There is no doubt that the timber was all sent to Singapore instead of being processed locally or exported to somewhere else. Most Chinese panglong-holders were based on Singapore. These Chinese capitalists with their working capital resided in Singapore where they received a licence from the authorities for establishing a panglong. Personnel was recruited by panglong-owners in Singapore and sent out to the panglongs. Money and provisions were sent out from Singapore, in proportion to the amount of timber received. Labour conflicts were not rare, since the *tauke's* representative in Singapore often seemed far from friendly. It was this system that made many panglong-holders ignorant of the wretched conditions prevailing at the panglongs. Part of the timber output was sent to sawmills in Johor, creating the only significant connection between Johor and the Riau Islands.

Post-war panglong business in Johor and the Riau Islands did not show much change. A survey in 1949 shows that there were 37 sawmills with a total output of 60,000 cubic tons in Johor in the same year. Another Chinese plywood factory using rubber latex glue, the San Chee Seng Company, operated in Kluang. The output and labour force of the company were 180 cubic tons and 18 Chinese employees respectively.¹³⁹

In the Riau Islands, the number of wood enterprises was still at a high level (Table 5.11, Table 5.12). If there were some changes, the most important one was a certain disconnection between the three regions. Under national economic policies, many of the products were nationally oriented and consumed. Another change was seen in the organization of the timber industries. Different from small lumber camps and sawmills, the late 1960s and early 1970s also saw the beginning of large-scale extraction from the 10 large modern joint ventures.¹⁴⁰

Table 5. 11. Panglong industries in Riau in 1975.

Municipality	Pakan-baru	Kampar	Indragiri Hulu	Indragiri Hilir	Bengkalis	The Riau Islands
Sawing & processing of wood	4	4	1	3	31	9
Panglong, charcoal	-	-	-	-	58	65

Source: RdA (1975).

¹³⁸ TDAR (1960).

¹³⁹ ARFM (1949), 60.

¹⁴⁰ Esmara, 'An Economic Survey'.

Table 5. 12. Number of forest establishments in Riau, 1968-1971.

	1968	1969	1970	1971
Panglong - felling	39	160	189	29
Concession-request	9	20	38	8
-recommendation	-	-	29	33
-P.A.	3	3	10	10
-F.A.	1	-	8	10
-S.K.H.P.K.	3	2	7	9

Source: RdA (1975).

Supporting industries

Investment of capital in the services sector reflected forward linkages facilitating the export trade.¹⁴¹ In the triangle, this category of industries arose in Singapore, and included docking facilities, shipping repair companies, telegraph and gas companies, and engineering factories. Together with the development of agriculture and mining, these industries were diversified and extended to Johor and the Riau Islands. If capital invested in these industries in the colonial period showed a certain dependence on Singapore, the post-war development was different and more focused on the specific region.

Singapore

Pioneer European ventures were few in number and type, but underwent rapid growth in the following decades as a result of the agricultural expansion. In 1889, there were 53 manufacturing plants in Singapore, covering many branches. They represented large-scale capital investments and formed the mainstream of industrial development. The Singapore Gas Company was founded with a capital of £100,000, in 20,000 shares of £25 each, and 13 official staff in 1891.

The development of these European firms is revealed by the increasing number of personnel they employed and the expansion of new branches in other regions (Table 5.13).

¹⁴¹ Drake, *Currency*, 46.

Table 5. 13. Growth of European manufacturings in Singapore in 1891 and 1907.

	1891	1907
Tanjong Pagar Dock Company	70 official staff. 2 docks, 1 machine shop, 1 blacksmiths' shop, 3 wharves.	126 official staff and clerks. Departments of wharf, traffic, water service, coal, dockyard and workshop, engineer, etc.
The Eastern Extension Australasia and China Telegraph Company	57 official staff, Offices in Penang, Singapore, and Malacca.	113 official staff. Offices in Penang, Singapore, and Malacca.
Oriental Telephone Company	16 official staff.	19 official staff. Branches in 14 places in Asia. Local Offices & Exchanges – 'Telephone House' in Johor.

Source: STDS (1891, 1907).

In general, the development of manufacturing in Singapore was rather limited in the colonial period. All factories were in the hands of Westerners. An increasing number of companies were registered immediately after the Pacific War, which hints at an embryonic industrialization (Appendix xli). Nevertheless, the significant development was still confined to processing and engineering industries, especially in tin, rubber and oil milling.¹⁴² During the 1950s, there was encouragement to diversify from Singapore's traditional role as an entrepôt.¹⁴³ Nevertheless, the industrial sector was small, and its productivity was low. Manufacturing in 1960 accounted for only 11.4 per cent of the GDP; commerce was by far the largest sector, with a share of 32 per cent.

Singapore's serious attempt at industrialization began in 1961 when the Economic Development Board was established. Based on the Malaya market, a policy of import substitution was adopted from the start. A great effort was made by the government (1) to strengthen and widen the domestic market; (2) to strengthen and extend trading links with neighbouring countries in Southeast Asia and with countries outside the region; (3) to create conditions and basic facilities favourable for industrial growth; and (4) to offer inducements to private enterprises to establish and expand industries within the country.¹⁴⁴ Yet, this policy was abandoned in late

¹⁴² SYB (1947), 60-1.

¹⁴³ Huff, *The Economic Growth*, 33-4.

¹⁴⁴ Lim, *The Development of Singapore's Economy*, 14.

1966¹⁴⁵ due to the conflict of interests between Singapore and Malaya and the collapse of the common market scheme in 1965 which all made industrialization very difficult.¹⁴⁶ During the brief period of import substitution, reliance was put on private enterprise whose basic decisions were determined on the expectation of a common market with the Malay Peninsula. A system of import quotas was introduced for a limited number of goods, along with controls on how many enterprises could enter a particular field.¹⁴⁷

After the separation from Malaysia in 1965, the Singapore government argued that emphasis on heavy industry was a more effective stimulus to increase productivity and achieve long-range economic development.¹⁴⁸ The new approach became official policy in 1967 with the government proclamation of the Export Expansion Incentives (Relief from Income Tax) Act, and this was further enhanced by the 1968 Employment Act. The import substitution policy was succeeded by a strategy of promoting export-oriented, labour-intensive industrialization. At that time, the government began its central role in formulating and implementing the industrialization programme through the Economic Development Board. Foreign direct investment (FDI) was encouraged to help Singapore penetrate export markets and to bring in advanced technology (Appendix xl). Capital, especially from the USA, Britain, the Netherlands and Japan, contributed to the mushrooming of a large number of firms involved in the new 'secondary industries' producing manufactured goods for the markets of neighbouring countries.¹⁴⁹

These changes were reflected in the industrial structure (Appendix xxxviii, Appendix xxxix). High-growth industries in this period were textiles and electronics. The combination of spinning, weaving, knitting and finishing recorded a 63 per cent of the total growth in the period 1962-1972.¹⁵⁰ The petroleum industry also held a leading position. Historically, Singapore was a major storage and distribution centre for oil products from the oilfields in Sumatra and Burma, accounting for between 10 and 15 per cent of the trade of pre-war Malaya.¹⁵¹ Singapore's role as an oil-refining centre began in 1961, when Royal Dutch Shell opened the country's first refinery on the island of Pulau Bukom. Singapore's geographical location and the worldwide trend among international oil companies to locate refineries near rapidly growing

¹⁴⁵ Huff, *The Economic Growth*, 34.

¹⁴⁶ Yoshihara, *Foreign Investment and Domestic Response: A Study of Singapore's Industrialization*, 11-2.

¹⁴⁷ Lee, *The Monetary and Banking Development*.

¹⁴⁸ Kratoska, *The Japanese Occupation*, 21.

¹⁴⁹ Lee, 'Some Basic Problems of Industrialization in Singapore', 208.

¹⁵⁰ Yoshihara, *Foreign Investment*, 12.

¹⁵¹ Kratoska, *The Japanese Occupation*, 21.

markets were major reasons to invest in oil refining during this period.¹⁵² Two installations were constructed on the islands of Pulau Bukom and Pulau Sebarok serving as bulk terminals for the refineries in Indonesia and Sarawak. These two 'ocean' installations stored and blended refined oil products for transshipment elsewhere and ship bunkers. They also fed the bulk storage installations on the Pulau Bukom and a large proportion of Federation installations, owned by Shell and the Standard-Vacuum Oil Companies respectively.¹⁵³ From the late 1960s onwards, output in petroleum manufacturing accounted for the largest share of total output, although its growth rate was much less than that of textiles and electronics, and also slightly exceeded by shipbuilding and ship repairing.¹⁵⁴

In short, during the first two decades after the war, staying in the Federation and sharing a common Malayan market made it possible for Singapore to maintain already existing bilateral economic connections with Malaysia, but industrialization provided difficult to pursue. The manufacturing sector's success was largely a function of Singapore's ability to attract foreign investment through a favourable business climate providing investors with an educated, trained and disciplined labour force. This was realized by the adoption of an export-orientation policy in the late 1960s. In this process, domestic enterprises played a lesser role than foreign capital, as evidenced by Singapore's enlarged capital network and a deeper integration into the world market. Nevertheless, the small industries established by them still played an important role in providing employment for local labour.¹⁵⁵

Johor

Limited industries were also set up in Johor, where the Chinese played a considerable part. The bulk of local manufacturing (soap, motor tyres, rubber footwear, pineapple canning) was in Chinese hands. Steadily through the years, the Chinese became the leading economic factor, at first as labourers, followed in more recent times by ownership and direction of industry and to an important extent also in financing trading operations.¹⁵⁶ At the same time, the prosperity of plantation and mining industries generated large profits known as the 'export surplus,' which caused the Johor and colonial governments to attract capital back to the state. On the advice of D. G. Campbell, General Advisor to the Johor government in 1911, it was decided to greatly develop Johor's road and rail system in order to render vast areas of fertile land accessible and convenient for Singapore. Favourable terms would ensure that

¹⁵² Henriques, *Marcus Samuel: First Viscount Bearsted, and Founder of the 'Shell' Transport and Trading Company, 1853-1927*.

¹⁵³ CSAR (1956), 88, 109.

¹⁵⁴ Yoshihara, *Foreign Investment*, 12.

¹⁵⁵ Fang, *Small Industry in Singapore*.

¹⁵⁶ Beale, *A Review of the Trade of British Malaya in 1928*, 4.

much Singapore capital which hitherto had been sent further afield, would come to Johor. The slight progress made in the codification and publication of the laws in English had done much to establish the confidence of foreign capitalists.¹⁵⁷ Generally, before 1957, when Malaysia became independent, adherence by the British colonial government to the 'vent for surplus' export policy hindered the development of an industrial sector in the country. This was also the case in Johor.¹⁵⁸

After independence, industrialization came to be regarded as the means of generating productive employment and diversifying the economy. In 1957, the Malaysian government inaugurated a development policy to accelerate the process and pace of industrialization. Import substitution was the adopted strategy to achieve these objectives.¹⁵⁹ The production of primary activities created backward linkages, resulting in the production of parts and machinery for mining and processing, as well as small-scale service industries, which were all strengthened by a rapid growth of manufacturing production in the 1960s.¹⁶⁰ Nevertheless, the specialization of these manufacturers did not show much change compared to the situation in the colonial period. In spite of some battery, electronics, motorcycle, car and engineering manufacturers, the rest was dominated by food, beverages, textiles and biscuits. Although local firms had gained manufacturing experience during the colonial era, the government failed to nurture this entrepreneurial capacity and its policies undermined these enterprises.¹⁶¹ Non-Malay companies maintained a prominent presence in the economy and the owners of these enterprises were still not locally based, but came from Singapore and Britain.¹⁶²

Under the NEP from 1971, emphasis was placed on increasing economic opportunities for Malays. It sanctioned increased participation or interference by the state in the economy.¹⁶³ In order to accommodate the large inflow of FDI and new firms, seven EPZs (Export Processing Zones) were set up between 1972 and 1974 in Penang, Selangor, and Malacca. Many of these industrial estates and firms produced electrical machinery (electrical and electronic components) and textiles. The surge in FDI was short-lived. Between 1974 and 1975, approved investment fell by nearly 62 per cent. During 1974 and 1982, only two new EPZs were created, including Pasir Gudang/Johor Port Authority in Johor. It was hoped that the 'anticipated industrial restructuring in Singapore would channel export-oriented, labour-intensive firms

¹⁵⁷ JAR (1910), 18.

¹⁵⁸ Othman and Fong, *Johore Port*, 220.

¹⁵⁹ Ibid.

¹⁶⁰ Khera, *The Oil Palm*, 20.

¹⁶¹ Gomez, 'The Rise'.

¹⁶² SMD, 1966.

¹⁶³ Guinness, *On the Margin*, 32.

into Johor's industrial areas.'¹⁶⁴ In this process, the Malaysian Industrial Development Finance (MIDF), established in 1960 played a key role. One of its subsidiaries, the Malaysian Industrial Estates (MIE), constructed many factories units in Johor.¹⁶⁵

Nevertheless, supporting industries in Johor in the post-war period were still undeveloped. Although manufacturing today accounts for only about eight per cent of the gross national product, and for approximately seven per cent of the total employment, key economic indicators point to an impressive upswing over the past years.¹⁶⁶ According to Table 5.14, post-war industrial expansion still achieved some progress during the early period. The increasing number of established firms after 1970 was another good sign of the future.

Table 5. 14. Year of establishment of industrial firms registered in Johor, pre-1960 to 1982.

	Number	Percentage
Before 1960	10	12.2
1960-1964	7	8.5
1965-1969	18	22
After 1970	47	57.3

Source: Othman et al., *Johore Port*, 226.

The Riau Islands

By the beginning of the twentieth century it could be said that the whole Indonesian archipelago had been put under effective Dutch control, offering a favourable environment for the operation of a full-fledged and lucrative colonial economy with an infrastructure required to facilitate production and exports of primary commodities.¹⁶⁷ In addition, limited direct capital transfers took place, not to finance expansions, but to keep the export industries viable.¹⁶⁸ It is likely that supporting industries were rather lacking in the Riau Islands. These limited industries, did not lay the basis for sustained economic growth and successful transformation into a more diversified economy. The expansion of primary exports during this period was generally initiated and undertaken by Dutch and other Western enterprises, in which the Indonesian population only participated as unskilled workers. It was therefore not

¹⁶⁴ Sivalingam, *The Economic and Social Impact of Export Processing Zones: The Case of Malaysia*, 7.

¹⁶⁵ Lee, *The Monetary and Banking Development*, 195.

¹⁶⁶ *Straits Times*, 31 August 1965, Page 6.

¹⁶⁷ Thee, 'The Impact', 4.

¹⁶⁸ *Ibid.*, 8.

surprising that at independence in 1945, there was a widespread desire on the part of the Indonesian people to 'convert the colonial economy into a national economy.'¹⁶⁹

Although Sukarno on 1 July 1947 announced that all nations would be allowed to invest in Indonesia, including Dutch firms,¹⁷⁰ the unstable political environment and inconsistent government policies scared away foreign capital. Limited industries were set up in the post-war period by inexperienced local people and capital. Only from the 1970s onwards was there a sign of industrial development in the Riau Islands. This was done through the *Badan Otorita Batam* (BOB, Industrial Development Authority Batam Island) with the support of the Indonesia's favourable policy and Singapore's capital in 1973. The island became a support base for the state oil company in 1969 and in 1974 it became Indonesia's only Free Trade Zone (FTZ) under BOB.¹⁷¹ With the advantage of a favourable investment regime and cheap labour, it attracted investors from Singapore and gave encouragement to the multinational manufacturing of export goods.¹⁷² Under these conditions, an increasing number of foreign workers were recruited, showing certain integration with the outside world (Appendix xlvii).

Nevertheless, existing companies were still rather small in terms of capital and personnel. The slow development is indicated by the usage of machinery which was mostly applied in the processing industries and shipbuilding. For instance, in the early 1970s, of the total 61 wooden boat-building businesses in Riau, only eight of them used machinery. Only one of the eight was located in Tanjung Pinang, the Riau Islands, using just two machines: 60hp. and 10hp. respectively.¹⁷³ Many of these industries were still small-scale as indicated by the number and capacity of power equipment they used, and workers they employed. It is clear that medium-sized factories had a dominant position (Appendix xlv, Appendix xlv). The higher percentage of small factories in Riau, when compared to Indonesia in general, shows a slower development of manufacturing in these islands. Generally, factories in the Riau Islands in the post-war period were faced with a shortage of capital. Some of them submitted an application of bank credit. However, very few of them were successful.¹⁷⁴

To sum up, it has been argued that there was a limited development of manufacturing sector during the colonial period due to the policy of economic drain.

¹⁶⁹ Ibid., 18.

¹⁷⁰ Twang, *The Chinese Business Élite*, 128-9, 41.

¹⁷¹ www.bpbatam.go.id.

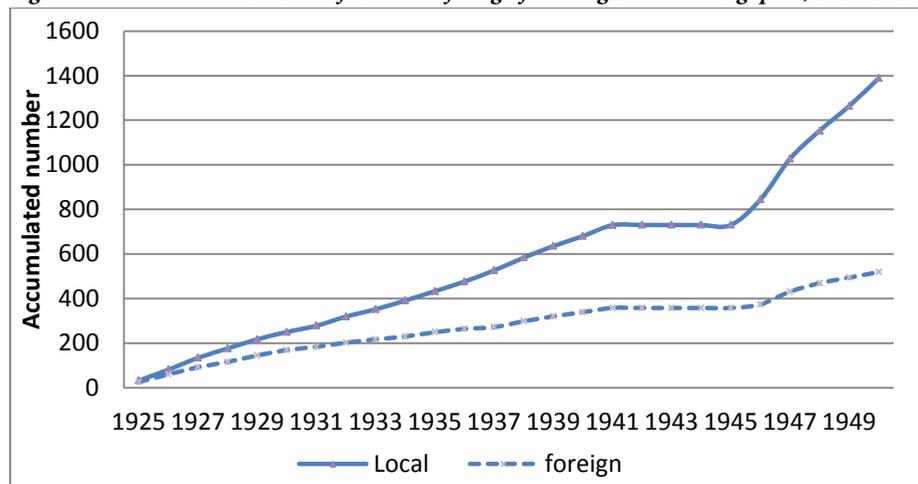
¹⁷² Royle, 'Industrialisation in Indonesia: The example of Batam Island'.

¹⁷³ Lampiran (1973-1974).

¹⁷⁴ Ibid.

However, there was still a significant development of manufacturing in Singapore, more than in Johor and the Riau Islands. In the colonial period, these industries were limited in type and scale. Many of them were a direct outcome of the establishment of backward and forward linkages. Processing industries were based on raw materials from the adjacent area, especially Johor and the Riau Islands, which, in turn, imported many of the products from food production factories in Singapore. This shows the close contacts within the triangle. These intensified industrial linkages were also indicated by the registration of companies in Singapore (Figure 5.3).

Figure 5. 3. Cumulative number of local and foreign firms registered in Singapore, 1925-1949.



Source: Appendix xlii.

Post-war manufacturing saw some individual developments in the three regions but also continuity with the colonial period. Significant industrialization did not take place until the implementation of governments' policies in the late 1960s to stimulate entry by foreign investment and establishment of capital-intensive manufacturing. Nevertheless, the manufacturing sectors in Singapore and Johor were more developed and diversified than in the Riau Islands. The rise of export-oriented industry in Singapore shows Singapore's lesser dependence on the raw materials from adjacent areas, resulting in loosening connections between the three regions.

In Indonesia, during Sukarno's 'Guided Democracy' from 1957 onwards, the exploitation of Indonesia's natural resources was largely left to state-owned enterprises.¹⁷⁵ Since government enterprises during Guided Democracy were concentrated in Java, manufacturing development in the Riau Islands did not achieve much progress. This feature only began to change from the 1970s, when under the

¹⁷⁵ Thee, 'The Impact', 20.

New Order government much greater reliance was placed on private enterprises and foreign companies to exploit natural resources.

With regard to capitalists, Europeans held a leading position in manufacturing development in the colonial period in Singapore. Their dominance, however, met with great competition from the Chinese in Johor and the Riau Islands, whereas Malays, especially Malay smallholders, gradually gained more importance after the war. Another group, the Japanese, also played an important part, particularly in mining in Johor and machinery manufactures in the Riau Islands. The intensive business activities of Westerners and Chinese indicate strong connections both outward and internally, while the Malay dominance in the post-war period was more internally-oriented.

3. Financial Services

The service sector primarily consists of various departments including truck transportation, messenger services and warehousing; information sector services; financial investment services; rental and leasing services, scientific and technical services; administrative and support services; arts, entertainment and recreation services, etc. During the period under study, most of these services did not gain much significance. Only financial services obtained limited development but with a great impact on the entire region. This section hence focuses on the development of regional banking and insurance services. It begins with a survey of regional currency which serves as the foundation of regional financial service.

Currency¹⁷⁶

As early as the 1840s, Singapore was already a prosperous financial centre and the European and Chinese merchants there were beginning to look to the peninsula as a field for investing their trading profits.¹⁷⁷ Before going into the details of these investments, it is necessary to look at one important premise: currency. Currency policy was the exclusive domain of the government and not part of commercial services. Yet it was crucial in creating an environment conducive to investment of capital.

For much of the nineteenth century, Spanish and Mexican dollars were the major currencies used for business in the Straits Settlements. In addition, various dollar strikes including the USA and Hong Kong dollars, also served as legal tender in the second half of the nineteenth century. This remained in force until 1904 when the Straits dollar became the sole legal tender in the Straits Settlements. It was divided

¹⁷⁶ Exchange rates of different currencies see Appendix xxxiv, Appendix xxxv.

¹⁷⁷ Kratoska, *The Japanese Occupation*, 20.

into 100 cents. In 1906, it was pegged at a fixed price at 2 shillings 4 pence sterling. The Straits dollar was also used in both the FMS and UMS (Unfederated Malay States).¹⁷⁸ In 1939, it was officially replaced by the Malayan dollar which was issued by a Board of Commissioners of Currency established under an agreement signed in 1938 by the governments of the Straits Settlements and the Malay States.¹⁷⁹ During the Japanese occupation, the Japanese government-issue dollar replaced the Malayan dollar as legal tender. After war, the Malayan dollar was restored, but it was quickly replaced by the Malaya and British Borneo dollar in 1953, used until 1965 when Singapore achieved independence from Malaysia. The Singapore dollar and Malaysia dollar then became legal tender in Singapore and Malaysia respectively, both at a rate of S\$60 = £7 until the early 1970s.

In the Netherlands Indies, the monetary system was in a state of great chaos and confusion until the introduction in 1817 of the Netherlands Indies guilder (NIG) with the same intrinsic value as the Dutch guilder. In the following decade, the NIG experienced a serious depreciation. In 1877, the Netherlands Indies also introduced the gold standard, but the exchange rate of the NIG to other currencies still fluctuated dramatically.¹⁸⁰ At the same time, other currencies and copper coins were also universally used throughout the colony. This was especially so in the Riau Islands, not only because of its peripheral position in the Netherlands Indies, but also because of its close connection to Singapore. The dependence of regional trade and shipping on Singapore brought no problem for the circulation and payment of dollars.¹⁸¹ Moreover, these Singapore dollars with fixed value had more advantage than the unstable NIG. The regional Dutch colonial currency had been replaced by the Straits dollar when introduced in the early nineteenth century. The exchange rate was set up at S\$100 = f.1425. The conversion rate was quite high, and rose fast in the following years. In the Riau Islands, for those who were paid by the government in NIGs, this was a disadvantage. As a result, the local currency gradually disappeared and the Straits dollar widely circulated.¹⁸² The prevalence of the Straits dollar thus became an obstruction for regional trade and resulted in the Riau Islands' economic dependency on Singapore. The Dutch colonial government took some measures to restrict the circulation of Straits dollars in the early twentieth century. In the Riau Islands, the Straits dollar was officially replaced by the NIG in 1909.¹⁸³ However, the continuous

¹⁷⁸ Denzel, *Handbook of World Exchange Rates, 1590-1914*, 537-9.

¹⁷⁹ ARFM (1949), 35.

¹⁸⁰ Denzel, *Handbook*, 545-6.

¹⁸¹ Potting, *De ontwikkeling van het geldverkeer in een koloniale samenleving: Oostkust van Sumatra, 1875-1938*, 340.

¹⁸² MvO: Riouw en onderhorigheden (1908).

¹⁸³ Potting, *De ontwikkeling*, 116.

depreciation of the NIG¹⁸⁴ still encouraged the unofficial circulation of the Straits dollar.

During the Japanese occupation, the military government brought a replacement currency, the gulden (Japanese dollar) to Indonesia. Nevertheless, under the Japanese administration and the economic influence of Malaya, the 'Japanese dollar' was used more widely. The same pattern also applied in the late 1940s when Indonesia's own currency was not recognized by the international market. Therefore, the Malaysian currency was more used here. During the 1950s and 1960s, the Straits dollar of British Malaya was the principal currency. Even when the Indonesian rupiah became legal tender, the Riau rupiah was used as a distinct currency in the Riau Islands in 1963 and 1964 due to restrictions and instability of the rupiah in the first two decades after independence.

Although the Riau Islands were geographically and politically separated from the Malay Peninsula, the regional cross-border monetary system showed many internal connections which facilitated the flow of capital invested by Europeans, Chinese, and Malay capitalists. The great influence of Singaporean Chinese, in these regions is shown by the fact that almost all the bookkeeping used Singapore dollars as its currency. The tax regulations often strike difficulties in preventing profits from flowing overseas because the administration is entirely or partly based in Singapore.¹⁸⁵

Banking and insurance companies

The expansion of the regional export economy was accompanied by the emergence of European banks which were engaged in the financing and promoting of trade and shipping between Pan-Malaya and the metropolitan countries.¹⁸⁶ The pioneer of the banking business was the Chartered Bank of India, Australia and China (informally, the Chartered Bank), which opened its Singapore branch in 1859, only six years after its incorporation. However, the establishment of banks opened in Singapore in the nineteenth century was still quite limited and characterized by two facts: (1) a complete dominance by European capital and (2) difficult operations due to the limited scale of capital gained from the agricultural sector.

¹⁸⁴ Thee, 'The Impact', 15.

¹⁸⁵ Fernando and Bulbeck, *Chinese Economic Activity*, 215.

¹⁸⁶ Lee, *The Monetary and Banking Development*, 34-7.

Table 5. 15. Early establishment of banks in Singapore in 1891 and 1907.

1891	
Chartered Bank of India, Australia and China	31 clerks, 18 agencies and branches, paid capital: £800,000, reserve fund: £250,000
Chartered Mercantile Bank of India, London and China	27 clerks, 15 agencies, 13 branches, paid-up capital: £750,000, with power to increase to £1,500,000, paid-up capital: £250,000
HSBC (Hong Kong and Shanghai Banking Corporation)	36 clerks, 8 agencies, 23 branches, paid-up capital: \$10,000,000, reserve fund: \$5,482,127
New Oriental Bank Corporation, Limited	19 clerks, 5 agencies
1907	
Banque de L'Indo-Chine	-
Chartered Bank of India, Australia and China	51 clerks, 27 agencies and branches, paid capital: £800,000, reserve fund: £975,000
International Banking Corporation	16 branches, capital: gold \$3,250,000
Deutsch-Asiatische Bank	-
HSBC	49 clerks, 4 agencies, 27 branches, paid-up capital: \$10,000,000, reserve fund: \$21,000,000
Mercantile Bank of India, Ltd.	32 clerks, 18 agencies and branches, authorized capital: £1,500,000, subscribed capital: £1,125,000, paid-up capital: £562,500, reserve: £135,000
NHM (<i>Nederlandsche Handel-Maatschappij</i>)	40 clerks, 18 agencies, 19 branches, capital: f.45,000,000 (£3,750,000), reserve fund: f.5,000,000 (£417,000)
Nederlandsch Indische Handels Bank	13 clerks, 8 branches
Russo-Chinese Bank	-

Source: STDS (1891, 1907).

In the early twentieth century, long-established banks kept expanding and new banks mushroomed in the tiny island of Singapore as a result of rapid Western capital penetration in this area (Table 5.15). The flourishing of rubber estates particularly stimulated the development of the banking system, which gradually replaced the private companies in providing support in the form of financial loans to the estates.¹⁸⁷ As the Malayan estates kept growing, so branches of these banks were

¹⁸⁷ Drabble, *Rubber*, 67.

established across the peninsula. The Chartered Bank was first European bank to establish agencies in the Malay states, in Taiping in Perak and Kuala Lumpur in Selangor in 1888. Yet, these banks did not give short-term loans to planters.¹⁸⁸ Later on, banks opened up in Johor to fulfil demand from the rubber estates. Nevertheless, European banking activities were still limited. By 1949, there was only one Western bank in Johor – the HSBC, which had branches in Johor Bahru and Muar.¹⁸⁹

Mainly on the basis of the tin and rubber industries, many Chinese capitalists also showed an interest in banking. This originated from their pawnshops which provided money loans to smallholders, following in the step of the Europeans. The Kwong Yik Bank was established in 1903, being the first banking institution in Singapore run by the Chinese.¹⁹⁰ In the 1910s, more Chinese banks were set up, including the Chinese Commercial Bank Ltd. (in 1912), the Ho Hong Bank (in 1917), and the Oversea-Chinese Bank (OCB, in 1919). Different from the European banks' outward orientation, the Chinese banks focused more on regional business. They were reluctant to engage in the finance of estates, confining themselves to making short-term advances secured against stocks of rubber.¹⁹¹ One of the promoters of the Kwong Yik Bank, its founder Wong Ah Fook, left Hong Kong in 1851 at the age of 16. After a few years, he became one of the most successful contractors in Johor. Then he turned his attention to the state, and devoted all his energies to help open the country, and many of the buildings both in town and country were built by him.¹⁹² The Ho Hong Bank was also the main financial supporter of rubber and tapioca estates in Johor. When auctioned in 1922, it was the owner of several estates in Johor: Eng Tech San Rubber and Tapioca Estates (985 acres), Gowthia Rubber Estates, Pasir Gudang (978 acres). In 1932, the three above-mentioned Chinese banks merged to found the Oversea-Chinese Bank Corporation (OCBC) after the economic depression in the late 1930s. It became the largest Chinese bank in Singapore, with branches in Johor Bahru, Muar and Segamat. There were also some smaller Chinese banks set up in Johor. The Batu Pahat Bank was a small bank operating in Batu Pahat, on Johor's west coast, in 1920. After subsequent reorganization, it became the Pacific Bank and was incorporated by the OCBC in 1963, becoming a subsidiary of the OCBC.

Banks established by other ethnic groups also mushroomed from the 1920s. There were local Indian banks in response to the Indians who were active in textile

¹⁸⁸ Ibid., 56.

¹⁸⁹ ARFM (1949), 38-9.

¹⁹⁰ Song, *One Hundred Years' History*, 353.

¹⁹¹ Drabble, *Rubber*, 70.

¹⁹² Ibid., 354.

distribution, the import business and money lending.¹⁹³ Two Japanese banks were active in the inter-war period, the Bank of Taiwan and the Yokohama Specie Bank.¹⁹⁴ There is some hesitation about mentioning banks in the Riau Islands, because there were no serious banking activities in the colonial period. Although both the NHM and *De Javasche Bank* (DJB) played an essential role in conducting financial activities in Indonesia, none of their branches were located in the Riau Islands.¹⁹⁵ Because of limited money supply in the Netherlands Indies, there was little incentive for commercial banks and international banks to establish their branches there.¹⁹⁶ Except for a small part of mainland Sumatra, mainly Medan,¹⁹⁷ most of the money supply relied on Singapore, where both the NHM and DJB had opened branches.¹⁹⁸ Other funding was arranged by large private enterprises, for instance the BPM when constructing and operating the distribution centre of Pulau Sambu. There were also a few Chinese operating their pawnshops but with very little importance. Sometimes, *chops* and other types of firm also played a similar role as banks for providing credit, loans, remittances, etc. Probably this was the only bank connection between Singapore and the Riau Islands because small Chinese capitalists in the Riau Islands owned properties in Singapore. This capital link kept changing in the post-war period.

Accompanying by the growth of the banking system was the rise of insurance companies. In 1891, around five insurance companies were operating in Singapore. It increased to 14 after 16 years. Similarly, Chinese capital was rather difficult to find (Appendix XXXVII).

Several decades later, during the Japanese occupation, all these financial institutions suffered great losses. They were either closed or taken over by the Japanese. After the war, they were faced with the task of reestablishment, reconstruction and rehabilitation. In 1947, a total of 18 banks were conducting their business in Singapore: 10 foreign and eight Chinese. Among them, two local banks were newly opened in that year by the Chinese: the Overseas Union Bank and the Chung Kiahw Bank. There were also another two Chinese banks established later: the Industrial and Commercial Bank (in 1953), and the Bank of Singapore (in 1954). An increasing number of new foreign banks also came to the island, such as the *Algemene Bank Nederland* and Bank of America. Some Malaysian banks also appeared: the Malayan Banking and United Malayan Banking Corporation.

¹⁹³ Lee, *The Monetary and Banking Development*, 34.

¹⁹⁴ *Ibid.*, 42.

¹⁹⁵ Potting, *De ontwikkeling*.

¹⁹⁶ CEI, vol. 6, 30,

¹⁹⁷ Andere muntsoorten. De Sumatra post 24-03-1939

¹⁹⁸ De Toekomst van Riouw. Bataviaasch nieuwsblad 20-05-1911

This was also the time for the establishment of Malay banks. Nevertheless, successful Malayan banking operations only began after the establishment of Bank Bumiputra in 1966 by the Malaysian government.¹⁹⁹ Previous networks had been destroyed, especially during the period of conflict between Indonesia and Malaysia, when many branches were closed. Post-war financial connections within the triangle left no room for the Riau Islands. Independence gave a further impetus to the growth of local banking in both Singapore and Malaysia (Table 5.16). Among them, the United Malayan Banking Corporation had already set up its branches in various places in Johor: Johor Bahru, Muar, Segmat, Batu Pahat, Yong Peng in 1966. The difference is that, in Singapore, these banks were mainly incorporated by ethnic Chinese, whereas in Malaysia, the Malaysian government provided widespread banking services to the Malays and aroused their interest in banking business and management.²⁰⁰

Table 5. 16. Distribution of commercial bank offices in Singapore and Johor, 1962-1971.

	1962	1965			1971
		Local	Foreign	Total	
Singapore	94	78	55	133	-
Johor	24	25	2	27	32
Total Malaya and Singapore	275	260	150	410	343

Source: Lee Sheng-Yi, *The Monetary and Banking Development*, 157, table 7.7.

Therefore, financial developments in the triangle were unbalanced with a strong financial centre at Singapore and financial development in the other two lagging behind, especially in the Riau Islands. Banks in Singapore were mainly operated by Europeans and Chinese both in the colonial period and the post-war era. Nevertheless, the distinction between them was clear. The large scale of European banks resulted in a focus on creating an international network which connected Singapore to the global economy, whereas the Chinese banks connected Singapore with Johor and the Riau Islands through their financing of smallholders. Chinese banks usually relied for credits on Europeans, which shows close connections between these two ethnic groups. This pattern was characteristic of the situation in the colonial period. After achieving independence, guided by individual government policies, a differentiation took place. Financial development in Singapore became

¹⁹⁹ Lee, *The Monetary and Banking Development*, 34.

²⁰⁰ *Ibid.*, 345.

more outward-oriented than before. By contrast, in Johor and the Riau Islands, although there was encouragement for local Malays to participate in banking, financial services remained underdeveloped. Post-war financial connections within the triangle were different from those of the colonial period.

4. Overall pattern of regional capital investment

This chapter focuses on the development of three economic sectors represented by agriculture, manufacturing and financial services, which opened up an era of spectacular prosperity for this region. In the colonial period, the lack of a primary sector forced the development of manufacturing and finance in Singapore to a considerable degree based on the expansion of commercial agriculture in adjacent areas, such as Johor and the Riau Islands. After achieving independence, these two sectors in Singapore kept expanding, but the development was based on import substitution policies and incoming FDI. In Johor and the Riau Islands, commercial agriculture formed the mainstay of the regional economy, whereas the manufacturing and finance did not gain much significance until the 1970s.

Generally, all ethnic groups participated in the formation of regional economies. Western capitalists dominated international enterprises, whereas the Chinese capital concentrated on regional production and transportation. Judged by their economic significance, the Europeans, Chinese and Japanese played a more important role in the colonial period, whereas local people gained more importance in the post-war period. Determined by the character of these ethnic groups, the regional economic connections showed certain dynamics. The Europeans and Japanese were regarded as international factors connecting this region to the international market. Therefore, during their heyday in the first half of the twentieth century, the outward connections of this area were very strong, not only through Singapore, but also to some extent through Johor and the Riau Islands themselves. The Chinese, on the other hand, engaged more in the creation and maintaining of a regional network. Based on Singapore, many of them set up plantations, industries and small banks both in Johor and the Riau Islands. Thus, the colonial period was characterized by both strong international and strong regional connections.

Sources about capital investment of Singapore in Johor after the Pacific War are scarce. Still, it is possible to show that capital linkages between Singapore and Johor were weaker than before. The difference is partially the result of a difference between domestic investment in the colonial period and foreign investment in the post-colonial period, which may be ascribed to the difference in political regime, and government policies towards industrialization in the post-war period. Singapore relied more on foreign inputs, while Johor and the Riau Islands gave preference to Malays. In Singapore, European and Chinese took economic initiatives that guaranteed growing international connections with the world market. By contrast, these outward connections were weaker in Johor and the Riau Islands, although

Japanese investment on a limited scale was observed. With regard to internal connections within the triangle, they were rather loose compared to the previous period. Priority was given to local Malays, both in Johor and the Riau Islands. The indigenous had considerable political influence, but lacked a solid capitalist foundation, business culture, and skills. It was a weak bourgeoisie.²⁰¹

Based on Porter's Diamond Model, the factor of related and supporting industries is discussed in this chapter. Assignments after standardization are shown by Table 5.17.

Table 5. 17. Standardized assignments of related industries in Singapore, Johor and Riau Islands by period, 1870-1970.

	1870-1910 Early imperialism			1910-1940 High colonialism			1942-1945 The Pacific War			1945-1970 Decolonization, independence		
	S	J	R	S	J	R	S	J	R	S	J	R
	<i>Agroprocessing</i>	1.2	0.8	0.4	2.4	1.6	1.2	0.4	0.4	0.4	3.2	4
<i>Forestry industry</i>	0.4	0.8	0.8	1.2	2	1.6	0.4	0.8	0.8	2	4	3.2
<i>Supporting industry</i>	0.8	0.4	0.4	2.4	1.2	0.8	0.8	0.4	0.4	4	2.4	1.6
<i>Banks</i>	0.8	0.4	0.4	2.4	0.8	0.4	0.4	0.4	0.4	4	2	0.8
<i>Insurance companies</i>	0.8	0.4	0.4	2	0.8	0.4	0.4	0.4	0.4	3.2	1.2	0.8
<i>Mean value</i>	0.8	0.6	0.5	2.1	1.3	0.9	0.5	0.5	0.5	3.3	2.7	1.8

5. Overview of individual performance

The development of trade, shipping and capital investment in this region displayed a dynamic process during the period under discussion. Based on political change, a periodization was devised to examine the economic performance of the three regions in the areas of political and ethnic relations, and the role of different ethnic groups in conducting regional economy.

The socio-political aspect is to reveal the environment of economic development in the three regions. Regarding political relationships within the triangle, according to political transformation and mutual relationships between the governments, these relationships showed distinct patterns. During the colonial period from 1870 to 1942, the political relationship of the three regions was reflected by the relations between two colonial governments: the British and the Dutch. In

²⁰¹ Robison, *Indonesia: The Rise of Capital*, 13.

general, the Anglo-Dutch relationship in the east showed a competitive pattern. Although the kinship between two existing Malay kingdoms – Riau-Lingga Sultanate and Johor State – created another connection in the political sense, this relationship was rather unimportant due to the weakness of Malay authority. During the short period of Japanese occupation, the Japanese military administration indicated a ‘unified’ political relationship between Singapore, Johor and the Riau Islands, but such ‘unification’ was unstable and temporary. The post-war political relationship between the three regions was characterized as a rivalry attributed to rising nationalism, the separation of Singapore from the Federation of Malaysia in 1965 and the Indonesian-Malaysian Confrontation between 1963 and 1966. The relationship later improved, especially after the establishment of ASEAN in 1967.

Regarding socio-ethnic relationships in such a multi-ethnic region, social structure and ethnic relationship have a direct impact on regional economic development. In the period of early imperialism, both the Europeans and Malay nobles possessed political advantage, whereas the Chinese played a more important role in regional agricultural plantation, trade and shipping. Their complementary importance resulted in a cooperative relationship between them. In the early twentieth century, Malay rulers faded out due to aggressive European penetration, facilitating European expansion in the economy. Therefore, the Chinese-European relationship was both cooperative and competitive. At the same time, Chinese were also used by the Europeans to keep balance between the British and Dutch, another sign of ‘reciprocity’. There was also a growing importance of Japanese capital and capitalists engaged in rubber plantations and mining in Johor. The regional socio-ethnic relationship during the Japanese occupation was full of tension, especially between the Japanese and the Europeans. The Japanese needed the Chinese to maintain existing connections. A regional deviation took place in the post-war period. In Singapore, the Europeans, the Chinese and Japanese continued to be economically important, whereas in Johor and the Riau Islands, preference was given to the Malays. This resulted in full participation of all ethnic groups in Singapore but a rivalry between Chinese and Malays in Johor and the Riau Islands. In general, there was a clear dichotomy as indicated by Europeans and Japanese in external connections and the Chinese in internal connections. This dichotomy was not static. There was a European expansion into internal connections and the Japanese gained a growing importance in external connections. Although post-war policies were more in favour of Malays, the Chinese still played a key role in defiance of government policies, especially in the Riau Islands.

In order to make good comparison of the individual growth of population, trade, shipping and capital investment, we have to standardize the quantitative numbers of growth rate per annum: <1.5% – VL (Very Low); 1.5-3% – L (Low); 3-5% – H (High); >5% – VH (Very High).

Both in Singapore and Johor, population growth rates per annum were higher in the colonial period (above 2.9%) than after achieving impendence (ca. 2.4%), whereas in the Riau Islands, an accelerated process was shown throughout the research period, increasing steadily from 1% to 3%. There was also regional differences in the sense that population growth rates were far higher in Singapore and Johor than in the Riau Islands.

Different from population growth, trade expansion in the three regions followed separate paths. Both in Singapore and Johor, a high growth rate per annum was achieved (3.3% and 3.7% respectively) in the period of early imperialism. But a deviation took place during the period 1910-1940. The growth rate per annum was high (3.1%) in Singapore, but very high (7%) in Johor, suffering no negative influence from the world market. Recovery took place immediately in Singapore after the Pacific War with a record growth rate of 7.8% per annum, whereas in Johor, the growth rate was below pre-war levels, at only 5%. The Riau Islands told another story. Trade development started from a very low level with an average growth rate of 1.3% per annum during the period 1870-1910. In the following decades, the path of the Riau Islands' trade expansion was similar to that of Johor, but at lower growth rates: very high (6%) during the late colonial period and low from the 1950s.

Regarding shipping development, in general, the three regions followed a trajectory similar to that of trade expansion but at higher growth rates per annum. In Singapore, the average growth rates of number of vessels per annum in the three classified periods of early imperialism, high colonialism and independence are estimated at 4.9%, 0.4% and 4.6% respectively, but in terms of total tonnage, they are recorded at 6.2%, 2.4% and 6.8%. This differentiation is also applied to Johor and the Riau Islands. This is because shipping development is assessed by total tonnage rather than numbers of ships. The higher growth rate is consequently amplified by technological progress. In general, shipping development in Johor and the Riau Islands lagged behind Singapore with the only exception in the period of high colonialism, when a very high growth rate was achieved in both Johor and the Riau Islands.

The growth rate of capital investment is difficult to standardize in the three regions, so we have to take into consideration all three sectors of the economy. Nevertheless, the spatio-temporal differences are suggested by the registration of companies. There is no doubt that capital- and technology-intensive and financial industries gained importance above labour-intensive and traditional agricultural production. From this point of view, capital investment started at a low level in Singapore but very low in Johor and the Riau Islands. In the following decades, the process was accelerated in all three regions, particularly in Singapore. The gap between them can be understood as differences in industrialization, transformation

of the industrial structure, and utilization of FDI, especially after independence. Therefore, we consider the capital investment in the three regions as follows: very high in Singapore, high in Johor, low in the Riau Islands.

To sum up, during the war and revolutionary period both economic development and population growth suffered serious decline, whereas in the periods of high colonialism and immediately after independence the performance was far more successful. Nevertheless, economic progress in the two periods had different reasons. During the first half of twentieth century, it was characterized by participation by non-Malay ethnic groups, especially Europeans and Chinese. They maintained their importance in post-war Singapore, but lost their economic predominance in Johor and the Riau Islands, where, instead, Malays gained more economic authority.

6. Overview of joint performance

The joint performance of regional economy is analysed in Porter's Diamond Model, which also explains their internal relations. Three of the factors in the model have been discussed above with the exception of factor conditions. The evaluation of factor conditions relies on empirical studies and current historiography. Generally, Singapore's advantage was reflected in its geography, infrastructure, knowledge, whereas Johor and the Riau Islands were more advantageous in natural resources, available land and labour. Assignments after standardization are shown by Table 5.18.

The synthesis of the assignments and the calculation of individual competitive advantage are displayed by Table 5.19. Results are tentative, but they do reveal a large gap between Singapore, Johor and the Riau Islands in terms of economic development in accordance with their individual competitive advantage.

- In general, Singapore possessed the most competitive advantage among the three.
- Except for the Pacific War, which brought a sudden interruption, there has been a gradually intensified and accumulated competitive advantage both in Singapore and Johor. This advantage was reinforced by political stability, liberal economic policies and the effectiveness of government administration ($\lambda \geq 1$).
- By contrast, the Riau Islands with a lower value by the four variables was already lagging behind Singapore and Johor at the start. Gloomy conditions in the Riau Islands were further worsened by the poor performance of the government ($\lambda < 1$) much of the time. The highest value of competitive advantage of the Riau Islands was in the period of high colonialism due to a relatively effective government administration.

Table 5. 18. Standardized assignments of factor conditions in Singapore, Johor and Riau

Islands by period, 1870-1970.

	1870-1910 Early imperialism			1910-1940 High colonialism			1942-1945 The Pacific War			1945-1970 Decolonization, independence		
	S	J	R	S	J	R	S	J	R	S	J	R
<i>Geographical location</i>	4	3	2	4	3	2	4	3	2	4	3	2
<i>Natural resources</i>	1	4	3	1	4	3	1	4	3	1	4	3
<i>Available land</i>	3	4	3	2	4	3	2	4	3	1	4	3
<i>Labour</i>	2	1	1	2	3	2	-	-	-	2	2	2
<i>Infrastructure (× 2)</i>	0.8	0.4	0.4	2.4	1.2	0.8	2.4	1.2	0.8	4	2.4	1.2
<i>Knowledge, technology (× 2)</i>	1.2	0.8	0.4	2	1.2	0.8	2	1.2	0.8	2.8	1.6	1.2
Mean value	1.8	1.8	1.3	2.2	2.4	1.7	2.3	2.3	1.6	2.7	2.6	1.9

Table 5. 19. Regional competitive advantage of Singapore, Johor and Riau Islands by period, 1870-1970.

	1870-1910 Early imperialism			1910-1940 High colonialism			1942-1945 The Pacific War			1945-1970 Decolonization, independence		
	S	J	R	S	J	R	S	J	R	S	J	R
Factor conditions (× 1)	1.8	1.8	1.3	2.2	2.4	1.7	2.3	2.3	1.6	2.7	2.6	1.9
Demand conditions (× 2)	0.9	0.5	0.5	1.9	1.2	1	0.6	0.4	0.4	3.2	2.5	1.7
Social structure (× 2)	2.7	2.1	1.7	2.9	3.1	1.9	0.7	0.7	0.7	3.9	2.9	1.6
Related industries (× 3)	0.8	0.6	0.5	2.1	1.3	0.9	0.5	0.5	0.5	3.3	2.7	1.8
Mean weighed-value of four variables (\bar{P})	1.6	1.3	1	2.3	2	1.4	1	1	0.8	3.3	2.7	1.8
Government (λ)	1.7	1.0	0.6	2.0	2.0	1.2	0.4	0.3	0.3	2.0	1.7	0.7
Competitive advantage ($\bar{P} \times \lambda$)	2.7	1.3	0.6	4.6	4	1.7	0.4	0.3	0.2	6.6	4.6	1.3

In terms of internal connections within the triangle, the strength was also in accordance with the factor of 'government'. Theoretically, the formation of their internal connections are due to both individual competitiveness and regional complementarity, reflected by (1) world demand for regional raw materials transhipped through Singapore; (2) creation of backward linkages in Singapore as a result of exports from the hinterland of Johor and the Riau Islands; (3) development of finance in Singapore to provide capital for Johor and the Riau Islands; (4) the role of traders, shipowners and capitalists in materializing the connections. There was a spillover effect from Singapore in establishing such connections to Johor and the Riau Islands. This effect was subject to political determination and government policies. During the Japanese occupation, the internal connection was politically strong but economically weak. The strongest economic internal connections appeared in the first half of the twentieth century when the factor of 'government' had a positive impact.

Chapter 6

Regional Advantage in a Globalizing World

Both individual and joint performance of Singapore, Johor and the Riau Islands did not form an isolated process, but were deeply integrated with the world economy. This chapter focuses on the external aspect of the growth triangle, using the model of globalization introduced above. It starts with a general description of the external network formed by trade and shipping. The second part offers an analysis of the external integration by using four dimensions of globalization model.

1. The formation of external connections

External connections are defined as outward links of the triangle area with world market. They are directly materialized by the movement of commodities, capital, information, etc. Singapore as a traditional entrepôt had very limited production. On the export side, it depended on produce from Johor and the Riau Islands as discussed above. Throughout the period under study, the export structure of Singapore underwent several changes. In the late nineteenth and early twentieth centuries, traditional agricultural commodities, such as pepper and gambir from Johor and the Riau Islands created the first international connections with the world market. They were replaced by rubber and mining products from 1910s onwards. After achieving independence, there were also structural changes in exports. The development of

manufacturing and service sectors changed Singapore into a staple port, whereas exports from Johor and the Riau Islands still relied on agricultural and very few manufactured products, such as palm oil, rubber and minerals. The growing volume of exports from the triangle area indicated an intensified external connection with the global economy.

Within this network, Singapore, Johor and the Riau Islands played different roles. Since the nineteenth century, for Singapore, the world market has been its large destiny for export with the majority of products coming from its Malaya, and Indonesian hinterland. Especially after the 1870s, the international shipping connections of Singapore with the West were intensified by the arrival of the steamship rather than sail, and the use of cable telegraph, especially with Britain. As a result, the total tonnage of ships increased at an astonishing rate, which facilitated the international trade of Singapore, especially with western countries (Appendix xix). On the import side, imports of raw materials from British Malaya and the Netherlands Indies accounted for more than 40 per cent of the total in 1870, whereas imports from the West differed. Imports from Britain declined gradually from around 30 per cent in the 1870s to around only 10 per cent in the early 1900s, whereas the USA and Japan gained a larger share. Articles imported from Britain included cotton piece goods, apparel and ironware. From the USA came cigars, tinned provisions, paper, motor cars and oil products; from Japan, coal, cotton piece goods, wooden furniture, matches and cement. On the export side, among the Western countries, Britain had the largest share. In the 1870s, it only accounted for around 17 per cent of Singapore's total exports. This proportion increased slightly to 20 per cent in the first decade of the twentieth century. Exports to Britain were mainly preserved pineapples, oil cakes, tin, sago, gambir, pepper and rubber. These commodities were also exported to the USA, especially from the 1900s onwards when rubber was in a great demand. Exports to Japan included raw cotton, copra, rattan, rubber and tin. British Malaya and the Netherlands Indies had a share of around 20 and 30 per cent respectively in Singapore's re-export of Western manufactured goods around 1900.

More changes took place when rubber and tin replaced traditional agricultural products from the 1910s onwards, while Singapore still served as the pivotal point in trade and commerce for Japan, China, India and other countries in the Pacific and Indian oceans.¹ Among the trade partners of Singapore, the emergence of Japan as the third naval power in the world fundamentally altered the strategic situation of Singapore.² Japan began to gain significance in the trade with Singapore in the 1920s, replacing Britain in exports of cotton piece goods to Singapore in exchange for large

¹ Beale, *A Review*, 8.

² CSAR (1956), 318.

imports of mining products.³ It was also in this period that Britain was surpassed by the USA and the Netherlands Indies because of the expanding trade in rubber. In 1932, the USA took 67 per cent of rubber exports and 42 per cent of tin exports from the Straits ports.⁴

The external network was completely destroyed during the period of Japanese Occupation when Japanese military administration cut off also international connections of this region with the world market. These outward connections did not recover until achieving independence. By then, the pattern of economic development of Singapore began being transformed from entirely depending on trade to industrialization. Local production of industrial and manufactured products had a growing importance for Singapore's trade, reducing the importance of its previous Malaya and Indonesia hinterlands. In 1965, the political separation of Singapore from peninsular Malaya made this trend irreversible. Although there are no official statistics of trade between Indonesia and Singapore published between 1963 and 1965, there was a significant decline in trade with Indonesia during the mid-1960s, although it was unofficially believed that Singapore-Indonesia trade had recovered its pre-Confrontation level by the end of 1968.⁵ By contrast, Singapore's trade connections with other countries were re-established, reflecting its enlarged and varied forelands and hinterlands. Among these countries, Japan and the USA gradually gained considerable importance (Table 6.1).

The long-term development of Singapore's external connections mirrored the extended and intensified network of Singapore. In this network, the easy access to the world market attracted capital, technology, information to this island.

Table 6.1. Geographical composition of Singapore's trade, 1961-1969.
(percentage share)

	Import				Export			
	1961	1963	1967	1969	1961	1963	1966	1969
P. Malaya	23.1	23.2	19.1	17.5	28.4	31.5	23.6	16.4
UK	13.0	11.7	8.0	6.7	7.9	6.3	6.1	5.8
Japan	10.8	11.1	12.4	16.3	5.6	4.3	4.5	7.1
USA	6.0	6.2	5.6	7.8	7.2	7.2	7.0	10.7
Other	47.1	47.8	54.9	51.7	50.9	50.7	58.8	60.0

Source: Courtenay, *A Geography*, 236.

³ Beale, *A Review*, 9.

⁴ Courtenay, *A Geography*, 129.

⁵ *Ibid.*, 237-9.

Different from Singapore, the access of Johor and the Riau Islands to the international market was rather limited. Within the triangle, Johor played a role as an exclusive hinterland, mostly for Singapore. The only international connection was created in the late 1920s with the emergence of shipping directly to Japan without passing Singapore for mineral ores. In 1928, the total volume of ore cleared out was 584,588 tons. In 1930 and 1932, there were 113 and 118 Japanese steamers respectively.⁶ The rapid development of Japanese shipping resulted in a much extended Johor network. Different from other international trade, export of mineral ores from Johor to Japan continued during the Pacific War and this pattern remained unchanged during the post-war period. In the 1960s, more than 80 per cent of the exports of iron and bauxite ore from Johor were destined for Japan, a situation not different from pre-war years.⁷

The Riau Islands showed much similarity with Singapore. On the one hand, the Riau Islands acted as the hinterland of Singapore for exports of regional produce. On the other hand, it also served as a centre in Indonesia for the re-export of commodities from elsewhere in Southeast Asia and as a middle point between Java and other parts of the Netherlands Indies. Nevertheless, the international shipping network was limited in Southeast Asia representing a pattern of entrepôt transshipment. The import of food and other daily necessities was directly transhipped to other places in the Netherlands Indies. The reason for the foreign transshipment taking place through the Riau Islands rather than Singapore was the aim of the Dutch colonial government to attract shipment from Singapore to ports in the Indonesian archipelago. It was partly realized by the opening up of the Riau Islands as a 'duty-free region'. Yet the Riau Islands were marginalized in the shipping network of Singapore, exemplified by the limited shipping navigation between Singapore and ports in the Riau Islands. For instance, 'in 1877 only one new vessel, a schooner was registered. This was due to the great dullness of the local trade between Singapore and the indigenous states in Sumatra.'⁸ 'In 1891, several steamers had been laid up, and a line to Sumatra under Dutch flag had ceased running; the vessels were offered for sale in Deli.'⁹ Nevertheless, the role of Riau Islands did not entail any direct connection to the Western market. Even the commodities that met world market, such as rubber, tin and oil, still relied on the market channels of Singapore. This pattern kept unchanged after independence in Indonesia.

Although both Johor and the Riau Islands expanded their international foreland to certain extent, such expansion was still limited. Their access to the world market

⁶ JAR (1919, 1920, 1928, 1930, 1932).

⁷ 1960-1964, Production: ABSM (1964), 43.

⁸ ARSS (1877).

⁹ Ibid. (1891).

still depended on Singapore as intermediary. Through Singapore, Johor and the Riau Islands were exposed indirectly to international influence. Within the triangle area, local crafts and sails navigated between Singapore, Johor and the Riau Islands, while there was a growing expansion of ocean-going steamers transporting commodities from Singapore to the world market. These two types of shipping strengthened Singapore's connections with the world shipping network, as well as with the regional markets. This pattern determined that both Johor and the Riau Islands' economies were vulnerable, and they were deeply affected by the economic changes in the world market.¹⁰ From a global perspective, world trade has achieved rapid growth as indicated by its share in total GDP since 1870.¹¹ But periodic and geographic differences remained (Table 6.2). Compared to Johor and the Riau Islands, Singapore followed a relatively similar trend with the global trade growth, suggesting a far-reaching integration of Singapore with the world economy. By contrast, the trade of Johor and the Riau Islands showed a different path due to their regional specialities.

Table 6. 2. Average growth rates of trade of different regions, 1870-1970.
(annual average percentage rate)

	1870-1910s	1910s-1940s	1945-1970
World	3.5	1.8	5.8
Singapore	3.3	3.1	7.8
Johor	3.7	7	5
Riau	1.3	6	Slow recovery

Source: World trade growth from Held et al., *Global Transformations*, 218-29.

2. Analysis of external integration using the globalization model

Generally, there was a gradually deepened external integration of the triangle area with the global economy, revealing increasing globalization, whereas the individual processes of Singapore, Johor and the Riau Islands differed during the period under research. In this part, we consult four dimensions in the globalization model to reveal these spatio-temporal differences: extensity, intensity, velocity and impact.

Extensity

In the early period of imperialism, a worldwide trade and shipping network was just in embryo, as most of the commodities from this region were to large extent confined

¹⁰ Turnbull, *A History*, 7.

¹¹ Klasing et al., 'Trade Theory and Trade Growth Since 1870'.

to Asia and characterized as a flourishing entrepôt trade. Limited connections to the Western world were created from Singapore by exports of gambir and imports of manufactured goods from the West, particularly Britain, but the value was rather low. In exchange, manufactured goods were imported from Europe, particularly Britain. Although part of the raw materials came from Johor and the Riau Islands, transshipment through Singapore reflected an indirect outward connection, which was moderate in the Riau Islands and extremely limited in Johor.

Such a network was extended and stimulated by exports and shipping of rubber and oil products which was in a strong demand in the world market during the period of high colonialism. The expansion took place in all three regions, although compared to Singapore, the extensity of Johor and the Riau Islands remained limited. Steamship routes radiated from Singapore to Europe and the USA, carrying commodities and people. At the same time, the traditional intra-Asian network was also maintained or strengthened as indicated by the increasing importance of trade with Japan. In Johor, the extensity of the network was also enlarged by the shipping of mining products to Japan, and in the Riau Islands, the extension involved transshipment of oil products from Pulau Sambu. The most important regional agricultural product, rubber, was still exported via Singapore. In this way, the indirect connection prevailed above direct integration. It hence limited the extensity of Johor and the Riau Islands, which, at any rate, was lower than in Singapore.

The network was completely destroyed during the Pacific War and the only connection was with Japan. It thus resulted in an extremely low extensity. However, the smuggling trade and shipping still maintained the feeble existence of interregional connections.

A recovery took place in the post-war period but in a different fashion. In Singapore, internationalization deepened with continued liberal economic policies and the encouragement of foreign capital. But in Johor and the Riau Islands, particularly the latter, in the context of rising nationalism, more attention was given to the domestic market, resulting in a shrinkage in the world market and a limited foreign investment, especially from Japan and the USA. In Johor, the extensity was enlarged by the direct connection to the Western world and the wider utilization of FDI, although Singapore and Britain were still the chief partners. Nevertheless, compared to the situation in the first half of the twentieth century, such an extension was not very significant and reflected the considerable influence of the colonial legacy.

Intensity

The direct indicator to assess the intensity is the absolute volume or value of trade, shipping and capital. With respect to the dynamic process, growing intensity is also signified by the relative increase. The discussion hitherto has shown that the absolute

value of these aspects kept increasing over one hundred years, but also that there were spatio-temporal differences.

- Generally, the intensity is ranked by Singapore, Johor and the Riau Islands according to the absolute value of trade and shipping capacity
- The intensification as indicated by growth rates in trade and shipping was much stronger and faster in the post-war period than before in all the three regions as indicated by higher growth rates in trade and shipping.
- In the high colonialism era, the growth of trade and shipping compared to the period of early imperialism was faster in Johor and the Riau Islands, but slower in Singapore.

The formation of this pattern is attributed to (1) different levels of integration with the world market, which was deeper in Singapore than in Johor and the Riau Islands. It indicated the degree of globalization of the three regions from another way around; (2) the rising and falling importance and position of Europeans and Chinese in the three parts of the triangle as they directly pursued these connections.

Velocity

Velocity is described as the speed of the exchange of commodities, people and information between the origins and the destinations. To a large extent it can be indicated by the development of transport and communication which had a positive impact on the velocity. The development of transportation systems is shown by the construction of ports, the application of advanced technology in shipping, the improvement of shipping yards and shipping facilities and the improvement of inland traffic in this region. Communication is accelerated as a result of technological progress, including the use of telegram, steamers and later also aviation development. This point is also facilitated by the development of financial services, such as the establishment of banks, merchant firms, and the circulation and recognition of currencies. The discussion reveals that in general all these points showed improvement in the time series, yet more significantly in Singapore than in Johor and the Riau Islands. The change of velocity shows a similar trend with that of intensity.

Impact

The impact of globalization on a certain region is defined as how external influence and the interaction between these external factors changed regional social structure. These external factors included the immigration of Chinese and Europeans and their mobility and foreign capital.

In the period of early imperialism, such an impact had already been considerable in Singapore, as shown by the growing political power of Europeans and the design of Western institutions. But in Johor and the Riau Islands, the political

regime of a traditional sultanate to a large extent still autonomously existed and Western influenced was limited. The influx of Chinese people was on a large scale, but many of them came from adjacent areas, suggesting their regional characteristics rather than external factors. They, from Sumatra, mainly crossed the Straits of Malacca to bases in Singapore and Penang, either as refugees or as smugglers, because they found Singapore most convenient for their operations. Therefore, it seems that social structures did not change much compared to the previous period. This is suggested by the continued existence of Chinese secret societies and their cross-regional networks.

Structural changes were significant in the period of high colonialism. As the rubber plantations and the exploitation of petroleum expanded, so exogenous elements swarmed into Singapore. Politically, these changes were indicated by the further elaboration of administrative colonial institutions, the introduction of Western education, the suppression of Chinese secret societies and the building of Western houses and infrastructure. The political impact was also so far-reaching in Johor that the final coming of a British General Advisor changed the equilibrium at the Malay court. Such a change facilitated a growing importance of Europeans. The Malay sultanate came to depend strongly on British advisors and policies. Europeans' high hierarchy in the colonial government encouraged both British and Singaporean Chinese investors who were anxious to contribute revenue to the British economy. Reflected in terms of geomorphology, the former Chinese *kangkar* areas developed into market towns servicing the agricultural populations of the area. In Mukim Pentong, there was a rapid capitalist expansion.¹² In the Riau Islands, the abolishment of the sultanate brought an abrupt end to the political continuity. However, the continuation of the Chinese autonomous system maintained a certain stability in this area.

Apart from the political impact, social forces and social order created another connection to the process of globalization.¹³ Socially, the expansion of regional economy necessitated the influx of large numbers of workers preferred by Chinese and British planters, because they were more suitable for work, living conditions, and the discipline of the plantations than local residents. A dynamic social structure was created due to the increasing number of Chinese of different language groups and Europeans. The impact was increased by more aggressive colonial policies, which did not only influence the Chinese community, many of whom accepted Western education, but also affected indigenous Malays.¹⁴ Nevertheless, the citizenship and

¹² Guinness, *On the Margin*, 13.

¹³ Chin, 'The State of the 'State' in Globalization: Social Order and Economic Restructuring in Malaysia'.

¹⁴ Guinness, *On the Margin*.

identity of ethnic Chinese in the post-war period did have a certain effect on regional integration and connection.¹⁵

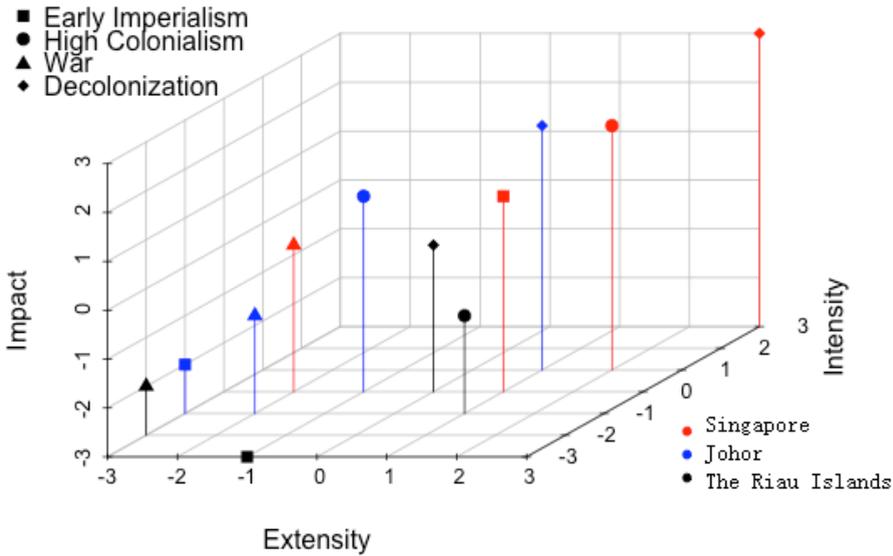
The impact of regional integration was extremely low during the Japanese occupation. There was no external impact. During decolonization, pre-war overseas networks were disrupted, replaced by trade routes determined by wartime territorial division. In Singapore, the social structure remained stable, as can be seen from the unchanged demographic structure. The impact was even deeper because of the continuation and increase of foreign investment, not only from the British Commonwealth, but also from Japan and the USA. By contrast, the external impact was relatively insignificant as a result of nationalism. Structural change took place as a result of internal factors, such as government policies, domestic capital, national trade and shipping. Nevertheless, due to the effectiveness of government administration, the colonial pattern was maintained to a large extent in the Riau Islands, which was likely to have tightened links across the Straits of Malacca with Singapore, but informally or illegally.

Table 6. 3. Globalization indicators of Singapore, Johor and Riau Islands by period, 1870-1970.

Region	Political	Extensity	Intensity	Impact	Velocity
Singapore	Early Imperialism	1	0	1	0
	High Colonialism	2	1	2	1
	The Pacific War	-2	0	0	0
	Decolonization	3	3	3	3
Johor	Early Imperialism	-3	-1	-2	-1
	High Colonialism	-1	0	1	0
	The Pacific War	-2	-1	-1	-1
	Decolonization	1	1	2	1
The Riau Islands	Early Imperialism	-1	-3	-3	-3
	High Colonialism	1	-1	-1	-1
	The Pacific War	-3	-2	-2	-2
	Decolonization	0	0	0	0

¹⁵ Lyons and Ford, 'Citizenship'.

Figure 6. 1. Visualization of the process of globalization in Singapore, Johor and Riau Islands, 1870-1970.



Based on the above information, the assignment of the value is displayed by Table 6.3. The individual processes of the integration with the world economy are visualized in Figure 6.1.

1. The process of globalization is different from region to region. It thus confirms the argument of Held, McGrew and others that globalization does not reflect a simple linear development.

2. In general, as globalization is achieved by the exchange of commodities, people and information, the case of Singapore is characterized as a direct pattern. By contrast, the process of indirect globalization in Johor and the Riau Islands is to a large extent through Singapore because of their limited access to the world market. In short, the globalization of Johor and the Riau Islands depended on Singapore.

3. There was a gradually deepening integration with the world in Singapore. Full globalization was achieved in the post-war period. In Johor, the integration was also deepened chronically, but the limited extensity meant that an integration was realized on the regional rather than global level. This process was different in the Riau Islands, where the deepest integration took place in the period of high colonialism and the relatively lower extensity, intensity, velocity and impact resulted in a low level of regionalization.

4. The continuation of colonial patterns into the post-war period in the Riau Islands showed a clear pattern of path dependence. The discontinuity during the war and post-war Johor can be attributed to political changes. The process was subject to

effective implementation of government policies which now still plays an important role in influencing regional economic development.

5. The direct integration of Singapore and indirect integration of Johor and the Riau Islands into the world market suggests a global stratification whereby countries or regions with economies of scale and political gravity blend into globalization directly, whereas underdeveloped countries or regions achieve indirect globalization through regionalization by integrating with their closest developed neighbours.

6. Within a core-periphery framework, it has been pointed out that a functional regional economy will typically consist of a central urban core and a surrounding, large rural, periphery.¹⁶ However, application of this argument varies by situation. From the point of view of Southeast Asia, Singapore together with its closest neighbour of Johor and the Riau Islands, played the role of core with the rest of the Southeast Asia area as the periphery, whereas from a national perspective, the Riau Islands occupied a peripheral position in Indonesia. The dual position of the Riau Islands is thus an uncertain factor of regional integration.

These hypotheses help us to understand the relationship between globalization and regionalization, always a matter of dispute among scholars.¹⁷ Marchand and others argue that regionalization reflects state and non-state forces reacting in opposition to globalization.¹⁸ But this study accepts Dent's view of regionalism as 'structures, processes and arrangements that work towards greater coherence within a specific international region in terms of economic, political, security, socio-cultural and other kinds of linkages.'¹⁹ If globalization can be conceived fundamentally as increasing levels of connectivity, integration and interdependence between different parts of the world economy and society occurring on a worldwide scale, then regionalism is a manifestation of very similar processes occurring on a lesser scale.²⁰ We suggest that globalization is a form of extremely extended and intensified regionalization, with the level of globalization declining from the economic and political core to the periphery. While regionalism may be viewed as a building block of globalization, it has also, conversely, been perceived at times as fragmenting the international system into separate competing regional blocs.²¹ Although Mittelman shows certain doubt about the effect of regional cooperation as a means to improve

¹⁶ Hughes and Holland, 'Core-Periphery Economic Linkage: A Measure of Spread and Possible Backwash Effects for the Washington Economy'.

¹⁷ Mansfield and Solingen, 'Regionalism'.

¹⁸ Marchand et al., 'The Political Economy of New Regionalisms'.

¹⁹ Dent, *East Asian Regionalism*.

²⁰ Hettne, 'Beyond the 'New' Regionalism'.

²¹ Dent, 'Paths'.

international cooperation and a sound base for sharing in globalization,²² the SIJORI case gives a positive answer.

This process is correlated to the factor of 'government' in the model of competitive advantage: (1) the ideology of laissez-faire with certain government intervention encourages both competition and cooperation of all ethnic groups and strengthened mutual connections; (2) an effective government administration indicated by 'direct rule', has a positive impact on the formation of mutual connections; (3) various ethnic groups, the Europeans, the Chinese, and to some extent the Japanese, actively performed a role as actors of internal connection. This can only be facilitated and encouraged by harmonious ethnic relationships; (4) extreme militarism and interventionism hamper economic development, resulting in a hostile ethnic relationships and weak internal connections. In short, stable and effective government administration, preservative and regulative liberal economic policies and fair ethnic policies are the direct impetus of regional economic connection and cooperation.

3. Concluding remark

The external integration of the growth triangle with the global economy was realized by the exchange of trade, shipping and capital through Singapore as a gateway, while these products largely originated from Johor and the Riau Islands where access to the world market was limited. By applying the globalization model, we found that there was direct integration with the world in Singapore, whereas this process in Johor and the Riau Islands was indirect and relied on Singapore as intermediary. Rather than globalization, Johor and the Riau Islands showed a strong characteristic of regionalization.

²² Mittelman, 'The Globalisation challenge: Surviving at the Margins'.

Conclusion

After the signing of the Treaty of London in 1824, which resulted in the split of the old Johor-Riau Sultanate, the three involved regions, Singapore, Johor and the Riau Islands, were not part of the same political framework until nearly 150 years later, when the foundation of ASEAN offered a stimulus to regional cooperation and integration, as exemplified by the formation of the SIJORI Growth Triangle. For more appropriate understanding of the rationale for this regional cooperation, we must not neglect the mutual economic connections that have been there for centuries. As D. K. Bassett has argued, ports in the Riau Islands and along the southern Malay coasts had already played an important role in British and Dutch 'country' trade since the seventeenth century.¹ They formed the basis of local connections and networks which were enlarged, intensified and diversified in the following centuries, not only economically, but also socially and culturally as a result of huge colonial expansion.² The present study fills in this gap by focusing on an economic history of the old Johor-Riau Sultanate and the internal connections between the three powers during the period prior to the establishment of the SIJORI, applying the following research

¹ Bassett, 'British Country Trade and Local Trade Networks in the Thai and Malay States, c.1680-1770'.

² Frost, 'Asia's Maritime Networks'.

question: how did the regional economic system integrate into the world market in the context of globalization? The research question is addressed in a twofold analytical framework outlined in Chapter 1. Chapter 2-5 focus on the internal integration of the growth triangle by surveying the aspects of socio-political evolution, trade, shipping and capital as applied in Porter's Diamond Model, and Chapter 6 analyses the external integration within a wider process of globalization.

The regional political and social aspects reveal both differences and similarities between the three areas. Colonial powers, particularly the British and the Dutch, determined the regional political situation from 1870 to 1942, which can be divided into two sub-periods: early imperialism (1870-1910) and high colonialism (1910-1942). In all three regions, colonial administration transformed from indirect to direct rule. Therefore, the political evolution is considered as a process of growing colonial intensification and intervention. Meanwhile, regional differences between the two colonial governments became more pronounced. Singapore had established a well-designed colonial bureaucracy, which guaranteed its high political status and an efficient administration. In Johor, the geographical proximity to the British colonial political centre and the placidity in the Malay court created political stability, although colonial administration applied a form of indirect rule as indicated by the existence of Malay sultans as the nominal ruler and the appointment of a British advisor representing the real power. By contrast, political stability and harmony were lacking in the Riau Islands, which were initially the main part of the Riau-Lingga Sultanate, but later incorporated into the Riau Residency under direct Dutch control. During the Japanese occupation, the three areas were placed under a unified Japanese military administration, but the impact was rather limited and ended after Japan's surrender. Although presently the three regions belong to three different nations, the first two or three decades after the Pacific War still showed a pattern of continuation of the colonial influence: Singapore was not separated from the Federation until 1965, and political insignificance was still the hallmark of the Riau Islands. Therefore, the one hundred years' political development in the triangle region showed more continuity than discontinuity, a feature deeply embedded in the colonial period. The continuity resurfaced in their political relationships. There were interactive and influential contacts between Singapore and Johor within the same political regime, whereas political connectivity between the Riau Islands and the other was rather weak, a factor attributed to the antagonism between the Dutch and the British, and later between Indonesia and Malaya.

Different from individuality on the political level, regional social aspects showed more interconnectivity and mutual influence in terms of demographic structure, social organization of the Chinese community and ethnic relationships. It was not only Malay royal rulers from the same family who established interregional connections, large Chinese populations also established extensive interregional connections, such as self-organization systems – *kapitan*, *konsi*, and other

cross-boundary institutions – *kongkek*, opium farming syndicates, Chinese Chamber of Commerce and Industry, etc. The continuation and discontinuation of these social connections were to a large extent influenced by ethnic relationships between Malays, Europeans, Chinese, and other ethnic groups. European and Chinese economic significance in the colonial period was facilitated by a harmonious relationship between them during the colonial period. When the Malays gained political authority after the Pacific War, the good relationship between the Malays and the others turned to subtle rivalry. The European and Chinese economic position was restricted, but Malays' business incapability and the shortage of indigenous entrepreneurship gave an opportunity for continued European and Chinese importance.³

Against this dynamic socio-political background, regional economic development showed a unique pattern as indicated by the increase in trade, shipping and capital. In general, regional economy which was export-oriented, developed rapidly in one hundred years, but both temporal and spatial differences were obvious. Based on our statistical analysis, in the period of early imperialism, economic growth was much faster in Singapore and Johor than in the Riau Islands. Moving into the period of high colonialism, and attributed to the unsatisfactory performance of the world economy, economic growth slowed down slightly in Singapore. But the global negative influence was rather limited on Johor and the Riau Islands, where economy expanded at high the growth rates per annum. After the disastrous Japanese occupation, Singapore soon recovered. The same trend was also observed in Johor but at a lower growth rate. In spite of insufficient relevant statistics, qualitative information indicates a rather slow recovery in the Riau Islands. Placed in a global context, Singapore followed a similar trend with the world trade expansion, suggesting a deep integration of Singapore's economy with the world. By contrast, the different paths of economic development in Johor and the Riau Islands indicated their limited internationalization but regional inclination.

The dichotomy between Singapore and the other two was a direct result of different patterns of economic connection in the three regions. During the colonial period, in Singapore, international (external) connections were established for the exchange of raw materials, for instance rubber, minerals, oil products from local hinterlands and the manufactured goods from Western countries by ocean-going steamers. Therefore, an extensive network was created in Singapore, and it was intensified gradually during the period under research. By contrast, good external connections were lacking in both Johor and the Riau Islands, as both export of regional raw materials and import of daily necessities and manufactured goods by traditional sails or old second-hand steamers, relied on Singapore. Although there

³ Thee, 'The Impact'.

was intention from both governments to direct the trade through domestic ports, geographical proximity and well-established market facilities still played an essential role in attracting trade, shipping and capital to Singapore. Therefore, for Johor and the Riau Islands, very limited outward connections beyond the triangle were established. After achieving independence, Singapore transformed gradually from a harbour relying on entrepôt trade to relying on the export of domestic industrial products supported by an import substitution strategy. This resulted in a reduced dependence on the Malay and Indonesian hinterlands, including Johor and the Riau Islands. Nevertheless, this reduction did not occur in any substantial way until the 1970s. Thus during the period under study, the economies of Johor and the Riau Islands which was rather regionally oriented, showed a strong dependence on and orientation towards Singapore, which the economy integrated deeply with the world market.

The distinction between external and internal connections is also reflected in the agents of economy: Europeans and indigenous (especially the Chinese). During the colonial period and the immediate post-war period, European capitalists international enterprises, such agent houses, steamship companies dominated all international trade to the West, whereas the Chinese capital and capitalists concentrated on regional production and transportation. Moreover, there was a growing and important role for Japanese capital in the rubber plantations, mineral mining and other manufacturing sectors. Thus the emergence of the Japanese became the third power diversifying the regional economic structure. The transformation of these relationships from cooperation to competition indicated European penetration in Singapore and Chinese retreat to Johor and the Riau Islands, where, however, more preference was given to the Malays after the Pacific War. The rise and decline of Western and Chinese traders and business firms mirrored the evolution of regional networks.

In short, in spite of a growing economy in all three regions, significant regional difference was clearly marked by a much stronger economic performance of Singapore than the others under the joint influence of natural resource endowment, economic rules and political policies. But the emphasis differed during the process. The importance of these factors accounting for this pattern is revealed by consulting the theory of competitive advantage. By applying the modified Diamond Model, we attributed Singapore's high economic performance to its possession of most competitive advantage, which was further signified by the political stability, liberal economic policies and effective government administration. By contrast, in the Riau Islands, the relatively lower competitive advantage was worsened by poor performance of the government much of the time. The highest value of competitive advantage of the Riau Islands was observed during the period of high colonialism attributed to a relatively effective Dutch administration.

Therefore, we highlight the role of the variable of 'government', which, together with the variable of 'social structure', also explains the change of regional internal connections. We attribute the formation of connections within the triangle to four elements: world demand for regional raw materials transhipped through Singapore; the creation of backward linkages in Singapore based on products from Johor and the Riau Islands; the financial services from Singapore; and the role of multi-ethnic groups acting as traders, shippers, capitalists, etc. The interaction between the four elements resulted in a dynamic pattern of internal connections within the triangle.

The external connections of the triangle area were gradually extended and intensified in one hundred years from 1870 to 1970. Chapter 6 places this regional network in the context of globalization by applying the model designed by Held, McGrew and others. Four indicators were used: extensity, intensity, velocity and impact. Results show the different processes and degrees of globalization in Singapore, Johor and the Riau Islands. There was a gradually deepening integration with the world in Singapore and full globalization was achieved in the post-war period, whereas the degree of globalization in Johor and the Riau Islands was lower. Instead, regionalization is more appropriate to describe the integration in these two regions. Thus the globalization in Johor and the Riau Islands depended on their connections with Singapore.

This picture can be viewed in a core-periphery model, which argues that the core region supplies the periphery with higher-order services while the periphery furnished the core with natural resource-based commodities. Economic growth in the periphery is hence felt more strongly in the core. This study affirms that it is easier for a region, like Singapore, to deepen its integration with the world if there is a correspondence between its political gravity and economic gravity. This argument further confirms that the process of globalization in Johor and the Riau Islands is easier by integrating with Singapore rather than with Malaysia or Indonesia. It also further underscores our argument about the relationship between globalization and regionalization. We suggest that globalization is a form of extremely extended and intensified regionalization, with the level of globalization declining from the economic and political core to the periphery, while regionalization is a building block of globalization.

To sum up, both in the colonial and independent periods, the economic status of the three regions in this triangle showed a certain discrepancy: Johor and the Riau Islands were economically peripheral, feeling the commercial pull of Singapore.⁴ But in a political sense, two poles can be identified: Johor under the political guidance of British Malaya and later Malaysia, and the Riau Islands under Indonesia. Therefore,

⁴ Chandler and Steinberg, *In Search*, 142.

there was both diversity and unity within this triangle, either as three separated regimes or as a closely tied body. Mutual economic connections are indicated by quantitative indices of trade and markets. There was an increasing importance of the market in British Malayan for manufactured goods from the late nineteenth century, reflecting both rapid peninsular developments brought about by rubber and Singapore's continued dominance in the supply of manufactured goods to the peninsula. But unlike the Singapore-Johor relationship, where Johor relied heavily on Singapore, the Riau Islands had wider trade hinterland and foreland. Singapore served as a particular segment outside the Indonesia market for the Riau Islands, which was influenced by the combined force of government intervention and economic rules. We therefore agree with Huff's argument that Singapore's trade composition mirrored not simply an urban-rural dualism, but rather a tripartite division, namely domestic, Malayan and extra-Malayan markets, reflecting different degrees of integration of Johor and the Riau Islands with Singapore.⁵ This pattern was mainly created by European and Chinese economic leaderships who were instrumental in initiating regional economic transformation and extraordinary growth.⁶ Attributed to individual ethnicity and ideology, these two ethnic groups performed differently in the formation of two connections, external and internal. There were mutually reinforcing links between internal and external integration. Singapore's role as a hub in the triangle created links with world economy, resulting in immigration of Europeans and Chinese, who played an important part in reinforcing internal integration within the triangle.

These connections formed an early prototype of the SIJORI Growth Triangle, the discrepancy and unbalance within which was also the characteristics of this early network: poor connections between Johor and the Riau Islands, uneven distribution of competitive advantages, political differences, etc. Therefore, the success or failure of current cooperation depends on how to deal with and utilize these historical connections and how to learn lessons from the historical experience.

After several years' endeavour, much progress has been achieved by the SJORI Growth Triangle – which became the Indonesia-Malaysia-Singapore Growth Triangle (IMS-GT), including a considerable transfer of technology and capital from Singapore to Johor and the Riau Islands. As a result, a number of industrial estates, free-trade zone, a wide range of industries were jointly set up in Johor and the Riau Islands with the investment from Singapore.⁷ Such foundations resulted in a

⁵ Huff, *The Economic Growth*, 115.

⁶ McDonald, 'Confucian Foundations to Leadership: A Study of Chinese Business Leaders across Greater China and South-East Asia'.

⁷ Wong and Ng, 'Batam, Bintan and Karimun: Past History and Current Development towards Being A SEZ'. Ho and So, 'Semi-periphery and Borderland Integration: Singapore and Hong Kong Experiences'.

consistent economic growth in the first decade of the present century.⁸ The individual economic performance of the three regions is illustrated by some basic indicators shown in Table 7.1. However, such progress was made in the shadow of dissatisfaction which can be summarized from the same table.

Table 7.1. Basic indicators for the IMS-GT, in 1994, 2005-2010.
(US\$ billi.)

	1994	2005	2006	2007	2008	2009	2010
Singapore							
GDP, in 2010 Constant Prices	70.2	169.9	185	201.8	205.4	204.2	235.3
Growth rate	10.9%	7.5%	8.9%	9.1%	1.8%	-0.6%	15.2%
Johor							
GDP, in 2005 Constant Prices	4.3	13	13.7	14.2	14.8	14.4	15.8
Growth rate	9.6%	-	5%	4.1%	4.2%	-3%	9.8%
% of total national GDP	6.3%	9.2%	9.2%	9.0%	8.9%	8.8%	9.0%
The Riau Islands							
GDP, in 2000 Constant Prices	3.3*	0.7	0.7	0.8	0.8	0.8	0.9
Growth rate	12.1% *	-	6.78%	7.01%	6.63%	3.52%	7.19%
% of total national GDP	-	1.54%	1.48%	1.46%	1.37%	1.37%	2.05%

Note: The Riau Province, 1993.

Source: Department of Statistics Singapore (<http://www.singstat.gov.sg/>), Department of Statistics Malaysia (<http://www.statistics.gov.my/>), Statistics Indonesia (<http://www.bps.go.id>).

According to Table 7.1, GDP growth was much slower in the first decade of the present century than in the 1990s and growth rates of the three regions kept on declining after the announcement of SIJORI. The declining percentage of regional GDP of Johor and the Riau Islands in the total of Malaysia and Indonesia further

⁸ East Asia Analytical Unit., *Growth Triangles of South East Asia*, 33-5.

affirmed the unsatisfactory economic performance from a perspective of relative importance. Although the triangle includes the territory of the Riau Province and Riau Islands Province, the main contribution to the economy of Riau in general comes from the exploitation of petroleum around Dumai on the mainland. By contrast, the core area of the triangle, the Riau Islands, still remains one of the poorest areas in Indonesia; In the Riau Islands, the intended capital and advanced technology from Singapore did not reach the Islands. Some achievement was made in the category of tourism rather than other processing industries.

Even if the SIJORI Growth Triangle has had a significant impact on the region, some caution is required when assessing its achievements.⁹ In practice, the expected redistribution of regional comparative advantage was not always realized, or the initial progress failed to expand the scale and level of cooperation.¹⁰ Many regional projects were carried out independently rather than cooperatively. In the Riau Islands, the BIDA (Batam Industrial Development Authority) was operated independently by utilizing domestic private capital. So was the Iskandar Malaysia, a project some three times the size of Singapore, in southern Johor, developed by the Malaysian government in 2006. Instead of cooperation, Iskandar Malaysia was designed to both compete with and integrate with the Singaporean economy.¹¹ Such independent endeavour rather than Singapore-dominated cooperation resulted in better economic growth as indicated by the indicators in 2010. In both Johor and the Riau Islands, Singaporean capital was not particularly favoured, while either domestic capital or capital from other countries, such as China, India, Vietnam or Japan was encouraged. In retrospect, it is hard to see the effect and benefit of mutual cooperation between the three regions, and scholarship has not widely admitted the unsatisfactory outcome of SIJORI.¹²

Reasons are various, but political in character. The most important rationale for SIJORI was the idea of redistributing regional comparative advantage. From the point of view of the pre-SIJORI conditions, this idea was not new. With regard to interregional economic relations in the colonial period, D. W. Hughes and D. W. Holland have suggested that the core region supplied the periphery with higher-order services, while the periphery furnished the core with natural resource-based

⁹ Koch, 'Economic Analysis of Asian Growth Triangles: The Johor-Singapore-Riau Growth Triangle'.

¹⁰ Chen, *Transnational Sub-regional Cooperation in Practice: Dynamics of Micro-regionalism and Micro-regionalisation in the East Asia Pacific*, 387.

¹¹ Rizzo and Glasson, 'Iskandar Malaysia', 417-27.

¹² Grundy-Warr et al. have pointed out the limits of a development strategy that emphasizes fragmented enclaves of improvement and the limited progress and planning problems in the growth triangle. Grundy-Warr et al., 'Fragmented Integration in the Singapore-Indonesian Border zone: Southeast Asia's 'Growth Triangle' against the Global Economy'.

commodities.¹³ Regarding agricultural development, Singapore had since the 1870s been faced with the problems of limited available land and large demand for a unskilled or semi-skilled labour force. On the other hand, the advantage of Singapore was the regional concentration of using advanced technology and the high potential of well-qualified skilled workers.¹⁴ Unfortunately, the transfer of regional complementary advantage between the three states was rather limited. In other words, there was certain utilization of land and labour in Johor and the Riau Islands, but technology and capital were still concentrated in Singapore. Hence, there were very weak backward linkages from Singapore to the periphery of Johor and the Riau Islands, just as Huff and Angeles have argued, that in post-1870 Southeast Asia relatively few major flows of commodities were created.¹⁵ Therefore, the spread effect of redistribution of regional comparative advantage is rather limited and unbalanced, indicating a low redistribution of regional comparative advantage. As indicated by the model of competitive advantage, these 'factor conditions' are largely restricted by the factor of government, which has direct and considerable impact on 'created' factors such as the understanding of policies, knowledge, social factors, industries, etc. The advanced and endogenous advantage is the origin of the modern economy.¹⁶ Therefore, we suggest that the precondition of (sub)regional cooperation depends on the improvement of regional individual competitiveness which is guaranteed by effective administration, favourable policies, effective administration and existing legacies from the perspective of dependency theory.

1. The role of government administration: relationship and effectiveness. The current borders and interstate relations between Singapore, Johor and the Riau Islands were created and maintained by colonization. Thus the role of political administration plays an essential role as illustrated by the analysis of competitive advantage. A high degree of collaboration is associated with a unified government (in colonial Malaya), harmonious diplomatic relationships (Anglo-Dutch relationship in the period of high colonialism) and effective administration (Singapore, Johor after 1911, and the Riau Islands during high colonialism). The integration of labour, commerce, finance and investment is an outcome of the easing of political tensions and the formation of a unified institutional framework.¹⁷ These points explain the better cooperation between Singapore and Johor than elsewhere. Politically, Johor

¹³ Hughes and Holland, 'Core-Periphery'.

¹⁴ Stejskal and Hajek, 'Competitive Advantage Analysis'.

¹⁵ Huff and Angeles, 'Globalization, Industrialization and Urbanization in Pre-World War II Southeast Asia'.

¹⁶ Kottaridi, 'The 'Core-periphery' Pattern of FDI-led Growth and Production Structure in the EU'.

¹⁷ Ho and So, 'Semi-periphery'.

has a strong political elite represented by the chief minister, who is very much at the forefront of promoting Johor's industrial development. And throughout his long reign from 1895 to 1959, Sultan Ibrahim regarded himself as the political equal and social superior of the Governor of Singapore.¹⁸ The Johor government had a direct role in determining its own development with more administrative efficiency.¹⁹ The Riau Islands, on the other hand, was guided directly from Jakarta, so much so that one concern was that the regional government would be left out of the overall planning and development.²⁰ As to the Riau Islands, for a long period its peripheral position in the political picture of Indonesia resulted in a low political hierarchy, government neglect and considerable ineffectiveness. Therefore, there was a demand for better governance.²¹ Things have improved recently. According to Law No. 22 (1999), all regencies in the Riau Province were to receive autonomous status.²² Local government was freer to engage in economic affairs and natural resources were enabled for local communities.²³ Such a decentralized trend was further facilitated by the formation of Riau Island province in 2002 and the Decentralization Law of 2004. This trend was continued. The Indonesian Parliament on 24 June 2008 approved a draft law on the formation of 12 new regencies in the country, including Anambas in the Riau Islands Province. By then, the province consisted of five regencies – Bintan, Lingga, Karimun, Natuna and Amambas – and Batam and Tanjung Pinang municipalities.

2. Liberal policies. A liberal policy does not only concern economic fields but also political affairs. The effect of this concept in promoting regional connection was testified in the period before the Great Depression, when no customs tariff was involved, protectionism and interventionism was light and foreign investment was encouraged to a large extent. These measures and attitudes facilitated the free flow of capital and people both locally and from outside. Therefore, in order to recover or re-promote such historical cooperation, it is better for the government to remove barriers between the regions which were placed in the 1950s and 1960s. Currently, the new regionalism is a direct result of the success of multilateral liberalisation whereby countries or regions trying to enter the multilateral system compete among themselves for the direct investment necessary for their successful participation in that system. By internalising an important externality, regionalism plays a key role in

¹⁸ Turnbull, 'British Colonialism'.

¹⁹ Ho and So, 'Semi-periphery'.

²⁰ Pangestu et al., *Intra-ASEAN Economic Cooperation: A New Perspective*.

²¹ Sparke et al., 'Triangulating the Borderless World: Geographies of Power in the Indonesia-Malaysia-Singapore Growth Triangle'.

²² Undang-undang Republik Indonesia nomor 22 tahun 1999 tentang pemerintahan daerah (<http://prokum.esdm.go.id/uu/1999/uu-22-1999.pdf>)

²³ Vidyattama, 'Decentralization and Regional Autonomy in Indonesia: Implementation and Challenges'.

expanding and preserving the liberal trade order.²⁴ A good sign was the negotiation of bilateral or multilateral free trade agreements and the creation of domestic institutions since the 1990s at both national and regional levels. Nevertheless, more liberal preference is still needed at the sub-regional level, such as in the Riau Islands, where concerns remain about the historically rooted smuggling, piracy and trafficking. Historical experience shows that harsh policies did not manage to eliminate these problems. Thus the implication of non-state involvement in the regulation should be promoted and favoured to enhance interdependence rather than individual independence.²⁵ It is thus essential to bring the region more 'foreign factors' which were historically lacking.²⁶

3. Economic and political gravities. According to the gravity model, bilateral trade between two countries is proportional to their respective sizes, measured by their GDP, and inversely proportional to the geographic distance between them. This theory is applicable to evaluate the economic connections between two regions. Thus it is easy for the two economic gravities – Singapore and Johor – to generate strong connections, whereas the connection between Johor and the Riau Islands is rather weak. However, economic gravity is not the only factor. Although Jordan and Khanna have argued that, in some cases, sub-regions of nation states are developing economic links with neighbours that may be more vital than links with the political centres of power that govern them,²⁷ the political pull effect is still essential in the regional triangle. Here we also take into consideration political gravity, which, as discussed above, has a strong impact in influencing mutual connections. Thus we suggest that strong connections can only be realized when the eco-political gravities of two regions are close to each other. Therefore, in order to strengthen economic connections with Singapore and Johor, it is necessary for the Riau Islands to enhance their political status within Indonesia. The prospect of the growth triangle still, to a large extent, lies in the political cooperation between the three involved countries.

4. The utilization of historical connections. Phelps has argued that closely intertwined regional colonial histories have ensured the importance of traditional concerns.²⁸ Strong internal connections had already been there since the foundation

²⁴ Ethier, 'The New Regionalism'.

²⁵ Ford and Lyons, 'Outsourcing Border Security: NGO Involvement in the Monitoring, Processing and Assistance of Indonesian Nationals Returning Illegally by Sea'.

²⁶ Locher-Scholten, 'Dutch Expansion in the Indonesian Archipelago around 1900 and the Imperialism Debate'.

²⁷ Jordan and Khanna, 'Economic Interdependence and Challenges to the Nation-State: The Emergence of Natural Economic Territories in the Asia-Pacific'.

²⁸ Phelps, 'Triangular Diplomacy Writ Small: The Political Economy of the Indonesia-Malaysia-Singapore Growth Triangle'.

of Singapore in 1819. The development of port facilities and the establishment of both Chinese and Western business firms and shipping companies endowed Singapore with initial advantage to attract trade, people and capital from adjacent regions. The economics of proximity, complementarity and a shared history drove participation between neighbours.²⁹ The advantage brought by them was consolidated by the arrival of steamers and the establishment of industry, banks and insurance companies during high colonialism. Progress was mainly achieved with the help of the Europeans and Chinese. However, their role was restricted in the post-war Johor and Riau Islands, where Malays gained more preference. Although we cannot deny the economic importance of Malays, compared to the Europeans and Chinese, their mobility and economic abilities were limited. Thus when the Europeans and Chinese were not supported or even restricted to the post-colonial Johor and Riau Islands, the regional connections were also undermined. Olzak has suggested that both political and economic integration into the world system is influentially related with ethnic politics both in the periphery and core.³⁰ From the perspective of path dependence, we suggest that the re-establishment of regional connections lies in the recovery of European and Chinese economic and social initiatives as a continuation of the colonial pattern. Some effort in this direction has been made, but not enough. Although since 1995 the Riau Islands has been characterized by an increasing population mobility, the influx of population was as a result of domestic rather than foreign migrants.³¹ Thus it would be regrettable if these non-Malay ethnic groups could not receive support from the government, since the economy today is focusing on the communication of social capital.³² Moreover, evidence shows that there has been a growing Japanese importance in the triangle area since the nineteenth century. Regional economic cooperation should not only rely on Singapore; instead, the Japanese seems to offer a third alternative. A pattern of harmonious multi-ethnic diversity can thus contribute not only to political balance, but also to social stability and mobility, and economic diversity.³³

²⁹ Ho and So, 'Semi-periphery'.

³⁰ Olzak, 'Ethnic Protest in Core and Periphery States'.

³¹ Suryadinata, *Ethnic Chinese in Contemporary Indonesia*, 34-5.

³² Stejskal and Hajek, 'Competitive Advantage Analysis'.

³³ Sasse, 'The Role of Regionalism'.

Appendix 1: Tables

*Appendix i. Population in Singapore in selected years, 1871-1970.
(thous.)*

Year	Chinese	Malays	Indians	Europeans Eurasians	Total
1871	55	26	12	5	97
1881	-	-	-	-	139
1891	-	-	-	-	185
1911	220	42	28	14	303
1921	315	54	32	17	418
1931	419	65	51	23	558
1937	455	70	52	26	603
1947	729	114	69	26	938
1950	789	124	72	30	1,015
1956	965	154	98	44	1,262
1966	1,427	276	157	54	1,914
1970	-	-	-	-	2,075

Note: 1881, 1891, 1931: census; the rest are estimates.

Source: 1871: Abshire, *The History*, 66; 1881-1937: ARSS (1881, 1891, 1911, 1921, 1931, 1937); 1947-1956: CSAR (1950, 1956); 1966: SYB (1966); 1970: YSS (1971/1972).

Appendix ii. Population in Johor in selected years, 1911-1971.
(thous.)

Year	Chinese	Malays	Indians	Europeans	Others	Total
1911	63	102	6	-	9	180
1921	-	-	-	-	-	199
1926	97	158	24	-	-	280
1931	-	-	-	-	-	505
1932	253	232	55	1	4	545
1938	308	312	84	1	5	710
1941	309	302	58	1	5	675
1947	-	-	-	-	-	738
1949	341	368	58	-	-	772
1957	-	-	-	-	-	927
1964	580	485	89	-	-	1179
1967	654	532	98	-	-	1317
1971	709	524	89	-	-	1328

Notes: 1967: census. The rest are estimates. *Johor in 1926* estimates the population in 1926 at some 250,000 (an increase of some 100,000 since on the figures of 1911 census) which is contradicted by the total sum of the population of different ethnic groups. Thus here we revise it to 280,000.

Source: 1911, 1921, 1932, 1938: JAR (1911, 1921, 1932, 1938); 1926: Kirby, 'Johore', 253; 1931, 1941, 1947: Kratoska, *The Japanese Occupation*, 18-9; 1949: RRBDFM (1949); 1957: VSWM (1967); 1964-1971: RRBDFM (1964), ABSM (1964-1971).

Appendix iii. Estimated non-indigenous population in Riau, 1870-1971.

	1870	1880	1890	1900	1905	1910	1920	1930	1940	1966a	1966b	1971a	1971b
Malays (× 1000)	13	-	-	-	93	240	200/248	257	267	-	-	-	-
Chinese (× 1000)	18	23	-	14	18	-	23	39	-	-	-	-	-
Europeans	115	181	151	238	201	-	409	516	-	-	-	-	-
Other Asians	211	167	352	247	209	-	556	1186	-	-	-	-	-
Total (× 1000)	-	-	-	-	-	-	-	-	-	134	317	164	330
Territory	R, S, I					R, I				R, I	R	R, I	R

Note: Territory: R: the Riau Islands; I: Indragiri; S: Siak.

Source: 1870: RAN (1870); 1880-1930: CEI, vol. 11, table 16; 1910, 1940: Lindblad, *New Challenges*, 245, 251-2; 1966a, 1966b, 1971a: Lampiran (1971-1973); 1971b: Sensus Penduduk 1971.

Appendix iv. Trade of Singapore, 1870-1969.
 (£ mill. in current prices)

Year	Import	Export	Year	Import	Export	Year	Import	Export
1870	8.7	5.8	1901	22.9	19.2	1932	39.2	31.4
1871	7.5	6.2	1902	21.6	18.3	1933	36.8	33.8
1872	9.0	7.7	1903	22.7	18.9	1934	44.6	38.7
1873	9.2	7.5	1904	23.7	19.3	1935	44.5	40.4
1874	9.0	7.2	1905	24.5	20.3	1936	48.5	42.7
1875	8.3	7.1	1906	27.4	23.6	1937	64.5	57.4
1876	8.2	6.8	1907	28.0	23.6	1938	46.9	39.6
1877	8.9	7.1	1908	24.7	21.1	1939	56.1	50.9
1878	8.3	6.4	1909	25.6	21.7	1946	73.2	54.5
1879	9.2	7.7	1910	30.0	25.7	1947	151.7	116.7
1880	10.3	8.7	1911	31.6	26.5	1949	211.2	169.8
1881	12.3	10.2	1912	35.2	28.2	1950	381.9	353.1
1882	12.7	10.0	1913	38.3	29.9	1951	586.6	553.7
1883	13.1	11.3	1914	32.3	26.6	1952	437.6	373.4
1884	13.7	10.7	1915	39.4	35.5	1953	352.5	309.7
1885	12.2	9.2	1916	50.3	44.1	1954	353.0	313.4
1886	11.4	8.7	1917	61.6	57.4	1955	450.8	393.1
1887	12.7	10.6	1918	67.2	58.0	1956	458.5	400.1
1888	14.8	13.8	1919	84.8	84.0	1957	477.5	405.8
1889	15.9	14.7	1920	103.9	84.5	1958	436.4	366.4
1890	16.9	13.5	1921	56.6	48.5	1959	456.0	401.4
1891	15.0	12.7	1922	53.3	48.4	1960	475.8	405.7
1892	14.0	12.1	1923	67.7	59.9	1961	462.4	386.1
1893	13.9	12.0	1924	74.3	64.3	1962	470.9	398.7
1894	14.3	12.2	1925	116.9	105.0	1963	499.3	405.5
1895	14.6	12.2	1926	116.3	102.1	1964	406.0	323.5
1896	14.9	12.5	1927	108.6	92.4	1965	444.2	350.5
1897	15.2	12.7	1928	90.5	76.2	1966	474.4	393.7
1898	16.6	13.7	1929	94.5	76.9	1967	514.2	407.4
1899	19.4	16.5	1930	73.0	61.4	1968	694.5	531.6
1900	23.1	19.0	1931	45.9	38.0	1969	853.0	647.7

Source: 1870-1939: ARSS (1870-1940); 1946-1966: SYB (1946-1966), CSAR (1950-1960); 1967-1969: YSS (1967-1972).

Appendix v. Structure of import and export of Singapore, 1870-1910.*(£ thous. in current prices)*

	Pepper		Gambir		Rattan		Fish		Tin	
	Import	Export	Import	Export	Import	Export	Import	Export	Import	Export
1870	191	313	224	397	101	112	14	8	-	-
1875	400	588	440	803	119	114	126	86	-	-
1880	261	409	438	638	158	305	196	215	-	-
1885	722	699	670	641	223	302	399	269	-	-
1890	816	1,005	904	1,028	384	431	596	409	319	1,848
1895	332	376	753	874	309	363	525	496	973	2,065
1900	633	621	604	682	556	680	622	645	2,914	3,526
1905	880	860	592	627	386	463	840	787	2,709	3,988
1910	591	760	614	665	367	454	1,011	896	3,179	4,041
	Copra		Gutta-percha		Rice and opium		Cotton goods			
	Import	Export	Import	Export	Import	Export	Import	Export		
1870	-	-	354	436	1,084	733	1,690	1,101		
1875	-	-	95	78	1,676	1,286	1,212	892		
1880	47	94	313	299	1,996	1,633	1,393	1,056		
1885	235	212	246	388	1,808	1,383	1,318	821		
1890	160	227	708	834	2,684	1,896	1,499	896		
1895	300	335	236	330	2,292	1,853	762	581		
1900	425	374	1,013	1,465	3,395	2,612	1,182	872		
1905	708	625	207	283	3,585	3,030	1,348	882		
1910	1,496	1,586	260	576	5,118	4,074	1,340	788		

Source: ARSS (1870-1910); Chiang Hai Ding, *A History*, 196-7.

Appendix vi. Export of major commodities from Singapore, 1911-1970.**(£ thous. in current prices)**

	Tin	Rubber	Copra	Canned Pineapple	Palm oil	Petroleum	Rice	Manufactured goods
1911	4,828	1,451	-	289	-	55	3,456	-
1915	6,415	6,376	-	366	-	141	4,939	-
1920	8,225	27,131	-	838	-	228	3,406	-
1925	8,466	47,356	-	865	-	8,300	5,276	-
1929	8,933	21,423	-	1,019	-	5,775	-	-
1934	5,290	14,474	-	697	121	5,210	692	-
1939	8,113	20,859	-	1,035	-	6,133	992	-
1946	64	30,838	44	-	343	821	26	-
1950	24,176	163,976	8,016	1,289	2,595	18,749	925	-
1953	20,104	87,604	-	2,077	2,067	39,858	3,292	-
1956	16,179	141,955	1,937	3,389	2,420	52,070	3,433	-
1960	6,022	166,454	3,547	2,946	2,778	32,580	7,260	104,158
1964	701	75,242	-	4,332	2,908	42,196	2,908	128,763
1967	617	88,105	-	5,281	4,545	78,818	4,545	153,630
1970	269	95	158,800	-	6,936	11,842	111,756	11,842

Source: 1911-1939: ARSS (1911-1940); 1946: SYB (1946), ARFM (1949); 1950-1960: CSAR (1950-1960); 1960-1970: ABSM (1964-1968), CSAR (1965-1966), SYB (1966), TDAR (1969), YSS (1967-1972).

Appendix vii. Imports and exports of Johor, 1870-1938.
(£ thous. in current prices)

	Import	Export	Less re-export
1870	-	225	-
1875	-	394	-
1880	-	317	-
1886	501	726	-
1891	478	765	-
1896	382	688	-
1897	352	604	-
1898	353	599	-
1899	332	718	-
1901	546	1,093	-
1906	446	1,031	-
1911	615	1,025	-
1912	-	1,461	-
1913	1,086	1,658	-
1914	1,014	1,929	-
1915	1,069	3,374	-
1916	1,487	4,881	-
1917	2,030	5,757	-
1918	2,272	5,084	17
1919	3,445	8,317	26
1920	5,003	8,015	22
1924	3,931	5,656	41
1925	5,820	13,794	58
1927	4,600	10,305	106
1928	4,376	7,623	153
1929	5,294	11,576	242
1930	5,499	6,968	156
1931	3,436	4,083	153
1932	2,545	3,457	111
1933	2,633	4,199	198
1937	5,518	12,383	334
1938	5,062	7,323	179

Source: 1870-1911: Courtenay, *Trade*, 228; 1911-1938: JAR (1911-1939).

Appendix viii. Major exports of Johor, 1870-1938.
(£ thous. in current prices)

	Gambir	Pepper	Areca nuts	Copra	Tapioca	Rubber
1870	139	86	-	-	-	-
1875	250	144	-	-	-	-
1880	225	92	-	-	-	-
1885	324	237	-	-	-	-
1890	472	376	-	-	-	-
1903	340	244	-	-	-	-
1910	210	117	140	111	63	175
1912	222	-	187	169	42	525
1913	177	163	170	241	39	758
1918	177	29	208	273	176	3,533
1920	83	24	433	854	238	5,523
1927	27	2	146	642	62	8,061
1930	22	0	155	605	94	4,581
1938	7	-	246	313	30	5,180
	Canned pineapple	Tin ore	Iron ore	Bauxite	Timber	Fish
1912	-	42	-	-	35	18
1913	-	62	-	-	22	14
1918	-	491	-	-	78	-
1920	-	466	-	-	69	24
1927	523	275	239	-	151	-
1930	590	74	425	-	100	12
1938	385	199	321	33	-	-

Source: JAR (1911-1939).

Appendix ix. Malaya external trade, 1947-1968.
(£ mill. in current prices)

	Exports	Imports	M export to S	M import from S
1947	97	73	-	-
1948	130	101	57	43
1949	137	109	65	47
1950	304	154	-	-
1951	394	218	-	-
1952	249	194	-	-
1953	186	169	79	65
1954	190	154	-	-
1955	277	180	-	-
1956	264	204	97	81
1957	254	212	-	-
1958	220	193	-	-
1959	289	203	-	-
1960	341	251	99	98
1961	306	260	-	-
1962	306	286	-	-
1963	312	294	-	-
1964	324	294	89	38
1965	361	304	105	43
1966	363	307	111	46
1967	339	300	99	37
1968	446	444	116	40

Source: ARMD (1947-1970), ARFM (1949), ASTSIJB (1963-1966), ABSM (1964-1973), VSWM (1967).

Appendix x. Major exports of Johor, 1949-1970, volume or value (in current prices).

	Rubber	Palm oil	Canned pineapple	Tin ore	Iron ore	Bauxite	
	lb mill.	ton thous.	£ thous.	pkt. thous.	ton thous.	ton thous.	£ thous.
1949	-	-	736	19	-	-	-
1954	-	-	-	-	-	166	-
1958	-	-	-	-	-	262	-
1961	-	-	-	-	-	410	63
1963	-	-	-	30	506	444	51
1966	-	-	-	57	675	940	123
1968	833	103	-	-	-	786	132
1970	978	168	6,000	-	-	-	-

Source: ARMD (1947-1970), ARFM (1949), ASTSIJB (1963-1966), ABSM (1964-1973), VSWM (1967), RSH (1968-1972), OCTS (1968-1972).

Appendix xi. Imports and exports of Riau Archipelago, 1868-1938.*(£ thous. in current prices)*

Year	Imports	Exports									
1868	162	233	1901	73	113	1917	643	4,167	1925	674	825
1871	174	242	1902	88	143	1918	933	3,475	1926	924	743
1879	262	446	1903	107	254	1919	1,326	7,508	1927	609	583
1883	168	341	1904	130	249	1920	1,159	6,590	1928	804	678
1885	147	420	1905	98	243	1913	460	2,155	1929	787	1,003
1890	309	482	1906	101	194	1914	506	3,007	1930	602	813
1891	246	344	1907	93	246	1915	343	2,861	1931	322	407
1892	155	286	1908	150	182	1916	413	4,238	1932	193	311
1893	127	227	1909	123	250	1917	643	4,167	1933	126	281
1894	111	213	1910	187	354	1918	933	3,475	1934	113	376
1895	102	232	1911	226	578	1919	1,326	7,508	1935	152	422
1896	79	224	1912	340	891	1920	1,159	6,590	1936	223	712
1897	202	200	1913	460	2,155	1921	1,972	5,428	1937	398	1,325
1898	104	187	1914	506	3,007	1922	1,617	6,565	1938	599	868
1899	107	190	1915	343	2,861	1923	526	282	-	-	-
1900	80	113	1916	413	4,238	1924	587	764	-	-	-

Note: 1911-1922: imports and exports both include oil products.**Source: SHS (1868-1925), JN (1925-1942), MCKS (1925-1940).**

Appendix xii. Imports and exports of Indonesia, 1951-1971.*(Rp. mill. in current prices)*

	Import	Export	Interinsular import
1951	3,383	4,918	-
1952	10,855	10,664	-
1954	8,739	9,609	-
1954	7,216	9,928	-
1955	7,264	10,830	-
1956	9,813	10,606	12,046
1957	9,217	11,016	15,341
1958	6,244	9,154	20,501
1959	5,500	10,732	25,608
1960	26,001	37,835	38,013
1961	35,732	35,468	48,555
1962	29,120	30,675	80,439
1963	23,488	31,337	-
1964	28,086	32,589	-
1965	32,321	31,795	-
1966	-	30,732	-
1967	-	30,129	-
1968	-	33,086	-
1969	-	38,656	-
1970	-	52,552	-
1971	-	55,405	-

Source: SI (1951-1971).**Appendix xiii. Registered oil products export from Pulau Sambu, 1911-1916.***(£ thous. in current prices)*

Year	Value	Year	Value
1911	174	1917	3,828
1912	393	1918	3,015
1913	1,787	1919	6,840
1914	2,468	1920	4,440
1915	2,446	1921	4,880
1916	3,991	1922	6,028

Source: MCKS (1911-1916).

Appendix xiv. Major imports into Riau Archipelago, 1866-1938.
(£ thous. in current prices)

	Rice	Clothes and textiles	Machines, iron	Tobacco, opium	Other (including oil products)
1866	91	12	-	-	10
1883	94	3	-	43	29
1895	40	4	-	37	20
1900	28	2	-	27	24
1905	39	1	-	28	30
1911	72	3	1	-	149
1918	387	3	1	6	535
1925	140	5	1	43	485
1928	-	-	-	-	-
1930	278	32	23	47	223
1934	74	10	9	15	6
1938	75	8	197	42	279

Source: SHS (1868-1925), JN (1925-1942), MCKS (1925-1940).

Appendix xv. Major exports from Riau Archipelago (excluding oil products), 1866-1909.
(£ thous. in current prices)

	Gambir	Pepper	Getah pertjah	Copra	Rottan	Fish	Sago	Wood
1866	133	78	-	-	0	1	-	-
1879	271	150	0	-	0	-	5	-
1885	180	209	0	-	3	6	28	-
1890	213	188	-	-	12	1	39	-
1895	164	51	2	0	10	1	3	0
1900	83	23		0	10	1	4	-
1905	175	27	1	1	-	2	16	-
1909	99	19	26	62	-	-	34	2

	Tin	Bauxite	Rottan	Fish	Penang-nuts	Sago
1911	-	-	-	3	-	27
1915	-	-	-	28	-	31
1920	122	-	-	15	-	77
1924	-	-	-	6	13	149
1927	-	-	-	55	1	57
1929	205	-	-	120	1	46
1933	57	-	4	29	3	-
1938	188	-	-	36	5	20
1973*	562	2650	19	95	-	-

	Wood	Gambir	Getah Percha	Pepper	Copra	Rubber
1911	-	154	1	25	182	-
1915	2	91	-	6	251	1
1920	-	116	-	1	345	1,448
1924	-	145	-	-	325	117
1927	3	27	-	-	164	231
1929	24	35	-	-	191	288
1933	-	-	-	-	333	104
1938	32	41	-	-	103	183
1973*	10,979**	-	-	-	319	7,719

Note: * The Riau Province ** Wood, charcoal.

Source: SHS (1868-1925), JN (1925-1942), MCKS (1925-1940), Lampiran (1973).

Appendix xvi. Interinsular trade of Riau Islands, 1957-1962.
(Rp. mill. in current prices)

	Export from the Riau Islands to other places					
	1957	1958	1959	1960	1961	1962
West Java	5.2	11.2	19.2	9.1	12.2	20.9
Central Java	3.8	20.4	20.6	12.6	1.5	1.
East Java	1.6	0.3	-	4.1	14.8	14.1
North Sumatra	0.1	-	-	0.1	-	-
Central Sumatra	0.4	6.2	7.1	3.2	2.9	3.3
South Sumatra	44.1	2.4	20.3	3.1	2.7	14.7
West Kalimantan	1.1	2.3	4.7	2.9	1.9	3.2
Central Kalimantan	-	-	0.1	-	-	-
South Sulawesi	-	-	-	-	0.1	0.5
Nusa Tenggara	-	-	-	-	-	-
Total	56.3	42.8	72	35.1	36.3	57.7
	Import from other places to the Riau Islands					
	1957	1958	1959	1960	1961	1962
West Java	5.4	18	8.2	13.4	16.1	30.1
Central Java	2.8	2.2	0.3	-	1.2	-
East Java	0.1	0.1	0.6	0.1	0.7	-
North Sumatra	-	0.1	-	-	0.1	-
Central Sumatra	2.1	4.3	1.2	9.1	4.9	13
South Sumatra	3.8	0.8	0.5	0.3	1.1	1.1
West Kalimantan	1.6	3.2	5	7.1	2	2.9
Central Kalimantan	-	-	-	0.6	0.2	0.7
South Sulawesi	-	-	-	-	-	0.1
Nusa Tenggara	15.8	28.7	15.8	30.6	26.3	47.9
Total	31.6	57.4	31.6	61.2	52.6	95.8

Source: SI (1957-1962).

Appendix xvii. Exports by principal ports in Indonesia, 1963-1971.
 (£ mill. in current prices)

	1963	1964	1965	1966	1967
Java and Madura	33.3	39.6	31.4	41.6	31.4
Sumatra	183.1	186.0	192.7	166.9	179.2
Tanjung Pinang	1.5	1.3	0.4	0.5	0.7
Indonesia	249.3	258.6	252.8	242.4	237.6
	1968	1969	1970	1971	
Java and Madura	35.5	30.3	48.0	63.8	
Sumatra	226.2	277.9	359.5	351.5	
Tanjung Pinang	1.6	2.2	2.9	0.8	
Indonesia	304.5	355.7	483.6	509.8	

Source: SI (1963-1971), Rda (1975).

Appendix xviii. Vessels entering into and departing from Singapore, 1870-1907.

Year	Entrance				Clearance			
	Rigged vessels and steamers		Indigenous craft		Rigged vessels and steamers		Indigenous craft	
	No.	1000 n.r.t.	No.	1000 n.r.t.	No.	1000 n.r.t.	No.	1000 n.r.t.
1870	1,604	668	2455	78	1,557	626	2,763	78
1871	1,678	819	2376	83	1,689	680	3,348	81
1875	2,261	1,284	3171	84	2,348	1,003	3,462	83
1876	2,149	1,454	3716	94	2,182	1,428	3,718	103
1877	2,168	1,457	-	-	-	-	-	-
1880	2,120	1,893	a	B	2,309	1,802	a	B
1881	2,443	1,821	a-185	b-12	2,418	1,790	a-86	b-7
1884	8,272	2,451	-	-	8,222	2,402	-	-
1885	8,539	2,703	-	-	8,532	2,652	-	-
1886	8,796	2,739	-	-	8,802	2,687	-	-
1889	3,867	3,066	6,619	255	3,848	3,048	6,619	255
1890	3,646	2,990	5,546	209	3,621	2,956	5,515	213
1891	4,184	3,325	7,293	261	4,155	3,289	7,188	259
1904	-	12,332/2	-	-	-	12,332/2	-	-
1905	-	12,764/2	-	-	-	12,764/2	-	-
1906	-	13,334/2	-	-	-	13,334/2	-	-
1907	-	13,580/2	-	-	-	13,580/2	-	-

Note: 1884-1886: all vessels; After 1891, 'indigenous craft' also includes 'steamer under 50 n.r.t.'

Source: ARSS (1870-1907).

Appendix xix. Total tonnage of vessels entering into and clearing out from Singapore, 1875-1918.
(*thous. n.r.t.*)

Year	Country	British	German	Dutch	Other European countries*	Asian countries**	Other countries***
1875	Tons	1,510	-	-	-	-	-
	Percentage	64	-	-	-	-	-
1898	Tons	5,193	-	-	-	-	-
	Percentage	63	-	-	-	-	-
1905	Tons	7,746	1,829	1,235	1,825	116	271
	Percentage	61	14	10	12	1	2
1910	Tons	7,809	2,001	1,671	1,763	1,274****	191
	Percentage	53	14	11	12	9	1
1918	Tons	3,349	-	1,702	807	3,404*****	145
	Percentage	36	-	18	9	36	2

Note: * including Denmark, France, Italy, Norway, Sweden, Russia, Portugal and Spain; ** including China, Japan, Sarawak and Siam; *** including the USA and Australia; **** only Japan: 1,041; ***** only Japan, 2,769.

Source: 1898: Great Britain, Trade. Others: ARSS (1875, 1905, 1910, 1918).

Appendix xx. Merchant vessels clearing out from Singapore, 1900-1975.

Year	All vessels	Vessels of 50 n.r.t. and over (1900-1930)		Year	All vessels	Vessels of 75 n.r.t. and over (1930-1975)	
	1000 n.r.t.	No.	1000 n.r.t.		1000 n.r.t.	No.	1000 n.r.t.
1900	5,392	4,649	4,834	1931	15,291	7,020	14,599
1901	6,008	4,924	5,454	1932	15,013	6,725	14,375
1902	6,264	5,086	5,693	1933	14,800	6,428	14,214
1903	6,607	5,290	5,994	1934	15,522	6,814	14,897
1904	6,743	5,429	6,156	1935	15,754	6,796	15,116
1905	6,984	5,268	6,402	1936	15,849	6,534	15,187
1906	7,215	5,281	6,662	1937	17,096	6,761	16,397
1907	7,324	5,161	6,784	1938	16,330	6,474	15,631
1908	7,461	5,161	6,948	1939	16,494	6,455	15,809
1909	7,503	5,320	7,069	1949	29,925/2	-	-
1910	7,897	5,341	7,419	1950	30,905/2	-	-
1911	8,258	5,761	7,718	1951	35,406/2	-	-
1912	8,738	5,957	8,221	1952	21,150	7,995	20,312
1913	9,205	6,084	8,618	1953	23,020	8,708	22,267
1914	8,690	5,962	7,994	1954	24,566	9,444	24,012
1915	7,768	5,821	6,964	1955	26,541	9,979	26,025
1916	7,401	5,774	6,612	1956	30,035	10,702	29,556
1917	6,173	5,326	5,362	1958	32,505	10,755	32,065
1918	5,509	4,752	4,696	1959	33,291	10,712	32,879
1919	7,922	5,615	7,024	1960	34,923	10,842	34,449
1920	9,443	5,772	8,562	1961	38,395	10,883	37,919
1921	9,793	5,699	8,972	1962	41,912	11,104	41,405
1922	9,875	5,868	9,142	1963	41,485	11,597	41,085
1923	11,040	6,243	10,258	1964	40,854	10,296	40,670
1924	11,798	6,488	10,946	1965	44,523	10,934	44,325
1925	12,828	7,136	11,990	1966	50,892	12,188	50,676
1926	13,671	7,996	12,852	1967	57,823	13,718	57,535
1927	14,483	8,982	13,634	1968	63,338	15,524	63,037
1928	15,563	9,705	14,697	1969	64,884	16,978	64,535
1929	16,460	9,768	15,579	1970	74,690	19,019	74,277
1930	16,606	9,112	15,920	1971	78,317	19,681	77,648

Source: 1910-1939: ARSS (1910-1940); 1947-1951: SYB (1966); 1952-1971: Huff, *The Economic Growth*, 398-9.

Appendix xxi. Entrance and clearance of ships in Singapore, 1961-1971.

Year	Vessels > 75 n.r.t				Vessels < 75 n.r.t and native crafts			
	Entered		Cleared		Entered		Cleared	
	No.	1000 n.r.t	No.	1000 n.r.t	No.	1000 n.r.t	No.	1000 n.r.t
1961	11,553	38,104	11,526	37,977	8,662	473	8,740	476
1962	11,812	41,577	11,775	41,466	8,617	452	9,051	507
1963	11,653	41,125	11,597	41,085	7,668	377	7,768	399
1964	10,326	40,820	10,296	40,670	7,701	192	7,682	185
1965	10,928	44,454	10,934	44,324	1,612	198	1,600	198
1966	12,230	50,817	12,188	50,676	15,399	220	15,330	216
1967	13,811	57,758	13,718	57,535	24,390	288	24,401	288
1968	15,614	63,437	15,524	63,037	17,578	305	17,556	301
1969	16,634	63,901	16,568	63,711	15,900	341	15,973	349
1970	18,422	73,847	18,269	73,037	15,646	427	15,659	462
1971	19,073	77,362	18,723	76,449	15,936	630	15,694	670

Source: YSS (1971/1972).

Appendix xxii. Ships over 75 net tons by nationality entering into and clearing out from Singapore, 1959-1970.

Year	Nations	Number of ships	+ or - on last year totals	Aggregate net tonnage	+ or - on last year totals
1959	Indonesian	1161	+150	351,252	+62,257
	Total	21,436		65,851,240	
1965	Indonesian				
	Malaysian	559		441,057	
	Singapore	1,021		486,202	
	Total	21,682		88,778,811	
1966	Indonesia	42	+ 42	32,939	+ 32,939
	Malaysia	702	+ 143	382,832	- 58,225
	Total	24,418	+ 2,556	101,493,470	+ 12,714,659
1970	Indonesian	4,731	+406	2,049,716	+11,234
	Malaysian	902	-51	423,574	+ 37,003
	Singapore	3,171	+764	3,491,991	+868,866
	Total	38,066	+4,017	148,724,539	+19,425,904

Note: Before 1965, figures for Malaysia and Singapore were included in the total of British ships.

Source: ARMD (1959, 1966, 1970), SYB (1966).

Appendix xxiii. Cargo discharged and loaded at Singapore, vessels of all tonnages at 'roads' and wharves, 1954-1955.
(thous. freight tons)

Year	Region	Direct				Transshipment			
		Discharged		Loaded		Discharged		Loaded	
		General	Mineral oil in bulk	General	Mineral oil in bulk	General	Mineral oil in bulk	General	Mineral oil in bulk
Sep, 1954	The Riau Islands	17.79	40.5	5.74	7.72	0.06	-	0.98	-
	The Riau Islands, vessels > 75 n.r.t.	5.11	40.5	0.28	7.72	0.06	-	0.97	-
	Sumatra	35.74	195.48	3.66	12.59	10.32	-	-	-
	Indonesia	76.49	333.09	15.04	22.79	23.78	-	9.54	-
Oct, 1954	The Riau Islands	19.1	-	5.87	-	0.04	-	0.83	-
	The Riau Islands, vessels > 75 n.r.t.	6.43	-	0.26	-	0.04	-	0.83	-
	Sumatra	35.41	154.57	5.37	12.46	-	-	6.19	-
	Indonesia	78.5	211.37	17.02	12.46	17.27	-	10.3	-
Aug, 1955	The Riau Islands	16.59	18.48	9.78	9	0.81	-	1.25	-
	The Riau Islands, vessels > 75 n.r.t.	3.69	18.48	2.99	9	0.74	-	1.25	-
	Sumatra	17.42	190.6	6.8	69.48	11.4	-	7.53	-
	Indonesia	59.54	284.89	22.83	98.45	24.03	-	13.25	-
Oct, 1959	The Riau Islands	11.65	-	4.69	-	-	-	-	-
	The Riau Islands,	2.47	-	0.26	-	-	-	-	-

Year	Region	Direct				Transshipment			
		Discharged		Loaded		Discharged		Loaded	
		General	Mineral oil in bulk	General	Mineral oil in bulk	General	Mineral oil in bulk	General	Mineral oil in bulk
	vessels > 75 n.r.t.								
	Sumatra	32.54	211.48	4.28	8.34	10.28	-	7.41	-
	Indonesia	71.41	235.99	15.28	19.82	18.65	-	13.24	-
Jun, 1960	The Riau Islands	8.82	-	4.07	-	-	-	-	-
	The Riau Islands, vessels > 75 n.r.t.	1.38	-	0.1	-	-	-	-	-
	Sumatra	20.85	111.31	5.98	1.53	6.85	-	4.64	-
	Indonesia	53.69	176.15	16.54	19.84	14.25	-	11.36	-
Sep, 1960	The Riau Islands	11.54	1.39	5.51	0.27	-	-	-	-
	The Riau Islands, vessels > 75 n.r.t.	3.52	1.39	0.03	0.27	-	-	-	-
	Sumatra	23.91	119.48	6.31	40.64	8.17	-	5.84	-
	Indonesia	57.95	181.52	17.07	56.23	10.62	-	12.07	-

Note: Sumatra refers to mainland Sumatra Island, not including the Riau Islands, and Banka and Billiton.

Source: MSMDESS (1955-1960).

Appendix xxiv. Vessels > 75 n.r.t. arriving and departing in Malaya, Singapore and Peninsular Malaysia, 1938-1969.
(thous. n.r.t.)

	Malaya – entered	Malaya – cleared	Singapore - entered	Singapore - cleared	West Malaysia - entered	West Malaysia - cleared
1938	16,313	16,346	15,336	15,348	-	-
1947	9,612	9,888	9,204	9,372	-	-
1948	11,592	11,952	10,836	10,896	-	-
1949	15,480	15,228	14,208	14,052	-	-
1950	15,852	15,384	14,616	14,520	-	-
1951	18,876	18,516	16,884	16,716	-	-
1952	22,020	21,612	20,280	20,196	-	-
1953	23,088	22,764	22,332	22,140	-	-
1954	24,400	24,092	-	-	-	-
1955	26,320	26,044	-	-	-	-
1956	29,376	28,862	-	-	-	-
1957	33,184	32,854	-	-	-	-
1958	32,051	31,548	-	-	-	-
1959	32,872	32,006	-	32,879	-	-
1960	-	-	34,458	34,449	-	-

	Malaya – entered	Malaya – cleared	Singapore - entered	Singapore - cleared	West Malaysia - entered	West Malaysia - cleared
1961	-	-	38,104	37,977	-	-
1962	-	-	41,577	41,466	-	-
1963	-	-	41,125	41,085	18,043	17,919
1964	-	-	40,820	40,670	19,439	19,311
1965	-	-	44,454	44,324	20,959	20,745
1966	-	-	50,817	50,676	21,508	21,383
1967	-	-	57,758	57,535	22,075	22,043
1968	-	-	63,437	63,037	21,674	22,698
1969	-	-	63,901	63,711	-	-
1970	-	-	73,847	73,037	-	-
1971	-	-	77,362	76,449	-	-

Source: ARSS (1938), CSAR (1946-1947, 1950-1960), MSMDESS (1955-1960), ABSM (1964-1968), YSS (1967-1972).

Appendix xxv. Total number and tonnage of vessels at all ports of Johor, 1919-1932.
(ton)

Year	Pattern of vessel	Entered		Cleared	
		Number	Tonnage	Number	Tonnage
1919*	Ocean-going steamers		89,205		
	Coasting steamers		13,932		
1920**	Ocean-going steamers		106,675		
	Coasting steamers		17,532		
1924	-	-	401,878	-	403,245
1925	-	-	510,835	-	511,928
1926	-	-	544,670	-	539,487
1927	-	-	576,112	-	574,713
	Ocean-going steamers	108	349,880	108	349,880
1928	Coasting steamers	5,296	196,431	5,302	196,748
	Sailing vessels	12,406	190,816	12,306	185,657

Year	Pattern of vessel	Entered		Cleared	
		Number	Tonnage	Number	Tonnage
	Japanese steamers***				584,588
1929	-	-	776,772	-	776,995
	Japanese steamers	113	-	113	-
	Ocean-going steamers	118	384,039	118	384,039
1930	Coasting steamers	5,252	201,366	5,252	201,366
	Sailing vessels	839	163,601	8,747	166,872
	Japanese steamers	118		118	
1931	-	-	619,715	-	625,958
	Ocean-going steamers	90	302,348	90	302,348
1932	Coasting steamers	1,911	109,054	1,911	109,054
	Sailing vessels	7,157	139,512	7,152	139,752

Note: * total tonnage of Muar; ** total tonnage of Muar and Endau; *** Japanese ocean-going steamer calling at Batu Pahat to load iron-ore
Source: JAR (1919-1932).

Appendix xxvi. Vessels clearing in and out from Riau, 1866-1905.

Year	Total clearing in		Total clearing out		From Singapore		To Singapore	
	No.	thous. n.r.t.	No.	thous. n.r.t.	No.	thous. n.r.t.	No.	thous. n.r.t.
1866	527	17	545	17	461	13	429	9
1870	735	35	721	35	668	26	596	20
1879	1,432	48	1,410	37	1,220	25	1,217	23
1885	1,620	130	1,672	132	1,324	61	1,388	54
1890	1,207	118	1,254	142	1,051	59	1,036	60
1895	1,445	107	1,490	92	1,262	53	1,270	53
1900	1,455	133	1,612	140	1,342	109	1,515	117
1905	916	95	982	120	870	47	918	43

Note: Data concerning shipping with Singapore are collected from the vessels arriving and leaving for areas outside The Netherlands Indies. We assume that Singapore dominated these international shipping activities, thus it is possible to regard that this information could represent the situation.

Source: SHS (1866-1905).

Appendix xxvii. Shipping of Riau Islands, 1909-1938.

Year	Ships to/from outside NEI			Ships to/from NEI			
	All vessels		Steamers	Sails and others		Steamers	
	Number	Weight (m3)	Number	Number	1,422,785	Number	Weight(m ³)
1909	5,565	1,392,552	4,724	29	64,948	400	1,422,785
1916	13,733	3,365,502	8,925	1,218	587,893	2,847	2,161,326
1920	20,949	5,634,087	10,957	4,772	1,268,783	4,554	3,037,384
1923	20,930	6,010,597	9,456	3,169	903,942	4,942	4,059,682
1930*	12,337	3,473,448	5,605	862	597,717	1,513	1,416,410
1938*	7,122	3,079,740	2,125	1,768	2,988,225	1,521	3,057,087

Note: * only arriving ships.

Source: SHS (1910-1940), SSN (1910-1940).

Appendix xxviii. International and domestic shipping arriving at various ports in Riau Islands, 1909-1938.

		Sambu		Tdj.Pinang		Tdj.Balai		Penuba		Terempa		Tdj.Uban	
		Inter.	Dom.	Inter.	Dom.	Inter.	Dom.	Inter.	Dom.	Inter.	Dom.	Inter.	Dom.
1909	Number	1,792	83		403		462		195		84	-	-
	Tonnage (thous. m ³)	629	255		63		33		31		36	-	-
1916	Number.	6,795	571	185	754	352	52	54	200	26	69	-	-
	Tonnage (thous. m ³)	1,766	759	76	317	21	5	8	33	17	39	-	-
1920	Number	12,583	372	105	779	61	439	-	163	28	73	-	-
	Tonnage (thous. m ³)	3,864	577	48	350	6	31	-	28	7	63	-	-
1923	Number	12,003	412	170	1,012	157	393	4	199	2	133	-	-
	Tonnage (thous. m ³)	3,814	951	78	433	15	37	-	25	-	164	-	-
1930	Number	11,179	23,921	813	539	344	940	1	351	-	152	-	-
	Tonnage (thous. m ³)	3,199	1,421	236	242	58	103	-	53	-	171	-	-
1938	Number	5,425	1,129	896	721	624	752	-	295	-	115	177	379
	Tonnage(thous. m ³)	1,911	1,414	853	2,135	66	58	-	63	-	124	249	2,290

Source: SHS (1910-1940), SSN (1910-1940).

Appendix xxix. Shipment in Pulau Sambu and Tanjung Pinang, 1908-1940.

	Sambu		Tdj.Pinang			Sambu		Tdj.Pinang	
	No.	Burden (thous. m ³)	No.	Burden (thous. m ³)		No.	Burden (thous. m ³)	No.	Burden (thous. m ³)
1908	1,116	915	-	-	1925	15,330	5,646	1,012	554
1909	1,994	1,220	-	-	1926	15,608	6,228	892	517
1910	2,727	1,565	-	-	1927	15,545	5,546	1,016	482
1911	3,294	1,773	-	-	1928	13,798	5,271	1,119	502
1912	3,781	1,811	955	438	1929	11,868	4,616	1,271	484
1913	3,325	1,430	934	420	1930	11,464	4,633	1,194	458
1914	4,894	1,607	833	422	1931	9,526	3,187	1,259	415
1915	6,562	2,229	842	470	1932	7,684	2,864	1,085	389
1916	7,147	2,470	878	371	1933	7,611	3,922	1,074	608
1917	10,309	3,301	892	536	1934	6,516	3,704	1,130	698
1918	11,416	3,566	748	398	1935	6,180	3,377	1,120	835
1919	10,800	3,665	838	397	1936	6,539	3,567	1,303	1,726
1920	12,775	4,385	823	408	1937	6,714	3,965	1,557	2,753
1921	13,004	4,291	660	433	1938	6,423	3,907	1,541	2,988
1922	13,579	4,251	647	415	1939	5,838	3,760	1,557	2,051
1923	13,035	4,832	909	450	1940	5,553	3,846	1,483	2,273
1924	12,561	4,626	905	359	-	-	-	-	-

Source: CEI, vol. 12a.

Appendix xxx. Capacity of international shipping in Indonesia, 1948-1971.

Year	Number	Total capacity, b.r.t./g.r.t., 1000 tons	Remark
1948	65	125	KPM
1949	95	169	KPM
1954	105	190	KPM
	39	23	Pelni
1956	100	195	KPM, freighters and passenger ships
	?	65	National shipping companies
1957	100	195	KPM, freighters and passenger ships ceased its interinsular operations
1957	73	55	Pelni and other national shipping companies
1958	?	188	Pelni and national merchant fleet
End of 1958	217	272	All fleet
1959	178	134	Indonesian owned, > 100 g.r.t. by size
1960	228	147	Indonesian owned, > 100 g.r.t. by size
1962	304	301	Indonesian owned, > 100 g.r.t. by size. Among these, 290 coastal and inter-islands, 14 international
1965	278	537	All fleet
1971	327	558	All fleet

Source: RBI (1948-1971), SI (1968-1969).

Appendix xxxi. Freight destined for foreign ports from Indonesia, 1939-1965.
(thous. tons)

Year	Total	Loaded	Unloaded
1939	7,568	5,677	1,891
1952	5,407	2,870	2,537
1958	4,454	2,142	2,311
1962	4,577	2,081	2,496
1965	4,511	2,346	2,165

Source: SSN (1939), RBI (1952-1965), SI (1968-1969).

Appendix xxxii. Arrival of vessels from foreign ports to Indonesia, 1939-1961.

Year	Number	Tonnage in 1000 n.r.t.
1939	10,872	12,469
1952	12,993	12,925
1958	8,483	10,341
1959	9,015	11,361
1960	9,230	11,512
1961	4,154	10,771

Source: SI (1963).

Appendix xxxiii. Cargo loaded and discharged in Malaya, Singapore and Indonesia, 1948-1971.*(thous. freight tons)*

	Malaya - loaded	Malaya - discharged	Singapore - loaded	Singapore - discharged	Indonesia - loaded	Indonesia - discharged
1948	-	-	1,428	1920		2,700
1949	-	-	1,776	3120		3,500
1950	3,600	6,024	2,532	4308	-	-
1951	3,876	7,536	2,856	5292		-
1952	4,623	7,438	2,640	5208	6,237	5,954
1953	7,354	10,888	5,172	8640		3,640
1954	7,485	11,366	-	-		3,312
1955	8,700	13,160	-	-	-	-
1956	9,877	13,727	-	-	-	-
1957	10,208	14,094	-	-	-	-
1958	8,727	12,713	-	-	7,024	7,192
1959	-	-	-	-	7,487	7,780
1960	-	-	5,287	9,602		
1961	-	-	6,507	11,750	8,220	9,162
1962	-	-	7,663	13,403	7,577	7,992
1963	-	-	7,853	13,740	-	-
1964	-	-	6,169	11,882	-	-
1965	-	-	7,980	13,366	-	-
1966	-	-	10,094	16,543	-	-
1967	-	-	11,943	18,397	-	-
1968	-	-	13,959	21,678	-	-
1969	-	-	15,334	22,569	-	-
1970	-	-	15,720	26,439		1,913
1971	-	-	19,269	28,817		2,001

Source: RBI (1950-1962), SI (1968-1969); MSMDDESS (1955-1960), ABSM (1964-1968), YSS (1967-1972).

Appendix xxxiv. Exchange rates: 100 pound sterling in various currencies.

Currency	Exchange rate (year average)
Spanish, Mexican dollars	1870-1905: 450-1,126 (see extra table)
Straits, Malayan, Japanese, Malaya and British Borneo	1906-1967: 857 (60 dollar = 7 pound sterling)
Singapore dollar, Malaysia dollar	1968-1970: 732
Netherlands Indian guilder	1870-1940s: 1,210*
Japanese money	1942-1945: 1,210
Indonesian rupiah	1946-1950s: no international recognition 1959-1965: devaluation, spiralling inflation 1967: 41,084; 1968: 70,925; 1969: 77,926; 1970: 86,933; 1971: 95,800; 1972: 103,851; 1973: 101,815

Note: * NIG approximately equals NG in value

Source: Denzel, *Handbook*, 540-53.

Appendix xxxv. Exchange rates: 100 pound sterling in dollar.

Year	E. Rate						
1870	448	1879	532	1888	644	1897	1,006
1871	454	1880	526	1889	640	1898	1,031
1872	442	1881	528	1890	585	1899	1,003
1873	456	1882	528	1891	613	1900	978
1874	469	1883	542	1892	695	1901	1,013
1875	481	1884	540	1893	775	1902	1,141
1876	500	1885	564	1894	932	1903	1,124
1877	492	1886	606	1895	940	1904	1,035
1878	516	1887	620	1896	918	1905	973

Source: Denzel, *Handbook*, 540-53.

Appendix xxxvi. Agroprocessing industries and manufacturing in Singapore, 1889 and 1947.

Category	Name	Number (1889)	Number (1947)
Commercial agricultural processing	Dyers	40	-
	Tannery establishments	20	-
	Bread and Biscuit factories	13	-
	Oil factories	8	9
	Ice factories	2	-
Food production	Mills-flour	1	-
	Mills-rice cleaning	22	-
	Mills-sago	11	-
	Soda water factories	5	-
Engineering and foundries		8	-
Brick-making Establishments		4	13
Potteries		6	-
Printing establishments		8	-
Soap factories		21	4+
Dock and shipping repair companies		2	-
Telegraphy companies		2	-
Telephone companies		1	-
Gas companies		1	-

Source: STDS (1889), CSAR (1947).

Appendix xxxvii. Establishment of insurance companies in Singapore in 1891 and 1907.

1891	1907
	Fire Insurance Association of Singapore
	Singapore Marine Insurance Agents Association
	New Zealand Insurance Company, Limited, China Fire Insurance Company Ltd., Yangtze Insurance Association, Ltd.
Equitable Life Assurance Society of the United States	China Mutual Life Insurance Co., Ltd.
North China Insurance Company, Limited	Commercial Union Assurance Co., Ltd.
The Straits Insurance Co., Limited, The Straits Fire Insurance Company, Limited (16 clerks, 3 agencies)	The Manufacturers Life Insurance Company
Singapore Insurance Company, Limited (11 clerks, subscribed capital: £ 350,000, paid-up capital: £ 70,000)	The Marine Insurance Co., Ltd.
	The Marine and General Mutual Life Assurance Society
	North China Insurance Company, Limited
	Shanghai Life Insurance Co., Ltd.
	South British Fire and Marine Co.
	The Straits Insurance Co., Limited
	Sun Life Assurance Co., of Canada
	Union Insurance Society of Canton, Limited

Source: STDS (1891, 1907).

Appendix xxxviii. Principal statistics of manufacturing production by industry in 1970.
(£ mill. in current prices)

Category	Input	Output	Value added
Food manufacturing	64.6	75.3	10.4
Beverage industries	4.3	9.1	4.8
Manufacture of cigarette and tobacco	9.9	13.3	3.4
Manufacture of textiles	8.3	11.5	3.2
Manufacture of wearing apparel, excluding footwear	8.4	11.7	3.3
Manufacture of leather products, except footwear and wearing	1.6	2.0	0.4
Manufacture of foot wear	1.5	2.4	0.9
Sawmills and Manufacture of wood and cork, except furniture	17.2	25.5	8.3
Manufacture of furniture and fixture, except primary metal	1.7	3.3	1.5
Manufacture of paper	3.4	5.2	1.7
Printing, publishing and allied industries	6.2	13.4	7.0
Manufacture of industrial chemicals	2.6	4.8	2.2
Manufacture of other chemical products	5.9	10.6	4.6
Petroleum refineries and Manufacture of petroleum and coal	138.1	166.9	28.7
Processing of natural gums, excluding rubber processing	1.8	2.0	0.2
Manufacture of rubber products, except rubber footwear	2.8	5.4	2.6
Manufacture of plastic products	3.2	4.8	1.6
Manufacture of pottery, china and earthenware	0.2	0.5	0.3
Manufacture of glass and glass products	0.9	2.0	1.0
Manufacture of bricks, tiles, and clay products	0.3	1.1	0.8
Manufacture of cement	3.9	4.9	1.0
Manufacture of structural cements and concrete products	1.0	1.5	0.5
Manufacture of non-metallic mineral	1.4	2.3	0.9
Iron and steel basis industries	4.5	6.9	2.3
Non-ferrous metal basic industries	2.7	3.4	0.7
Manufacture of fabricated metal, except machinery and equip.	19.3	29.8	9.8
Manufacture of machinery, except electrical	5.7	10.2	3.9
Manufacture of electrical machinery, apparatus	21.2	38.7	17.4
Manufacture of transport equipment	19.3	45.1	21.8
Manufacture of professional and scientific measuring ...	1.2	1.7	0.5
Other Manufacturing industries	12.1	16.2	3.9
Rubber processing	93.9	98.7	4.8
Granite quarrying	0.2	1.9	1.7
Total	473.4	632.1	155.9

Source: YSS (1970).

Appendix xxxix. Output of manufacturing in Singapore in 1972.

Industry	Output (%)
Food	6.1
Beverages	0.5
Tobacco	0.3
Textiles	4.8
Garments and Related goods	4.4
Wood and cork	4.2
Furniture and fixtures	0.4
Paper and paper products	1
printing and publishing	1.9
Leather products	0
Rubber products	0.7
Chemicals	3.3
Petroleum products	31.5
Non-metallic mineral products	1.9
Basic metals	1.2
Metal products	3.6
Machinery	2.3
Electrical machinery	17.9
Transport equipment	10.9
Miscellaneous products	3.1

Source: Yoshihara, *Foreign Investment*, 177, table 2.5.

Appendix xl. Industrial distribution of private companies in Singapore in 1973.

Category	Foreign	Singapore	Total
Food, beverage, tobacco	42	6	48
Textiles	56	7	63
Chemicals	83	10	93
Petroleum and oil products	14	0	14
Metals	60	3	63
Machinery and equipment	25	1	26
Electrical products and electronic products	56	2	58
Scientific and photographic equipment	6	1	7
Others	93	21	114
Total	435	51	486

Source: Yoshihara, *Foreign Investment*, 226, table S.

Appendix xli. Companies registered in Singapore at the end of the year, 1948-1950.

	1950	1949	1948
Local companies	924	821	781
Foreign companies	284	258	239

Source: Report of the Registrar of Companies, Singapore, 1950.

Appendix xlii. Local and foreign companies registered in Singapore from 1925 to 1950.

Year	Local	foreign
1925	32	26
1926	49	34
1927	53	32
1928	42	24
1929	41	29
1930	33	24
1931	28	15
1932	41	18
1933	33	15
1934	39	13
1935	42	19
1936	43	15
1937	50	8
1938	57	26
1939	52	22
1940	45	19
1941	49	19
1942	1	-
1943	-	-
1944	-	-
1945	-	-
1946	114	16
1947	183	57
1948	126	38
1949	111	25
1950	125	25

Source: Report of the Registrar of Companies, Singapore, 1950.

Appendix xliii. Number of industries by type of activity in Riau Province in 1975.

Municipality	Pakan- baru	Kampar	Indragiri Hulu	Indragiri Hilir	Bengkalis	The Riau Islands
Rice millings	-	2	-	93	-	-
Flour meal	-	-	-	22	46	36
Ice lollipop	9	3	1	12	12	-
Coffee polishing	-	-	-	-	2	1
Mie	-	-	-	-	11	1
Soya source	-	-	-	-	2	1
Salted fish	-	-	-	10	23	11
Fish preserves	-	-	-	-	14	-
Bakery products	2	1	5	-	6	7
Lemonade	4	1	1	-	1	3
Cooking oil		3	3	13	4	3
Ice-cubes	2	-	-	5	5	5

Source: RdA (1975).

Appendix xliv. Number of establishments, power equipment, capacity and number of persons employed in Riau Province and Indonesia in 1970.

	Number of establishment			Number of power equipment		
	L	M	T	L	M	T
Riau	9	334	343	22	321	343
Indonesia	1,975	15,925	17,900	38,890	23,459	62,349
	Capacity of power equipment			Number of persons employed		
	L	M	T	L	M	T
Riau	2,088	8,321	10,409	691	3,964	4,655
Indonesia	1,089,548	267,773	1,357,321	595,555	252,386	838,941

Notes: L: Large; M: Medium; S: Small; T: Total.

Source: SI (1970-1971).

Appendix xlv. Number of manufacturing establishment and labour force by industry in Riau Province in 1975.

	Type				Number of worker			
	L	M	S	T	L	M	S	T
Pakanbaru	4	7	49	60	419	239	418	1,076
Kampar	3	2	24	29	228	82	198	508
Indragiri Hulu	2	5	16	23	500	179	164	843
Indragiri Hilir	-	4	157	161	-	166	1,042	1,208
Bengkalis	2	17	276	295	249	625	2,193	3,067
The Riau Islands	1	5	176	182	123	219	1,401	1,743
Total	12	40	698	750	1,519	1,510	5,416	8,445

Notes: L: Large; M: Medium; S: Small; T: Total.

Source: RdA (1975).

Appendix xlvi. Number of industries by type of activity in Riau Province in 1975.

Municipality	Pakan- baru	Kampar	Indragiri Hulu	Indragiri Hilir	Beng- kalis	The Riau Islands
Printing	4	-	1	-	3	-
Plastic products	1	-	-	-	1	-
Other Chemicals	-	-	-	-	1	13
Soap	-	-	-	-	2	1
Floor-tile	2	-	-	-	-	-
brick	17	1	4	-	7	6
Nonmetallic mineral	-	-	-	-	-	2
Machinery-weld/repair	-	-	-	-	18	-
Dock/ship building	2	-	-	-	19	8
Wood apparel household	6	-	-	-	12	-
Made clothing	-	-	-	-	-	2
Metal product for construction equipment	-	-	-	2	-	3
Nail, but, bolt, knife	2	11	-	-	3	-
Total	60	29	23	161	295	182

Source: Rda (1975).

Appendix xlvii. Number of industries by type of activity in Riau Province in 1975.

Establishment	Number of foreign worker	
	Domestic	Abroad
Pertisa Trading Coy Ltd Pekanbaru	-	2
P. T. Duta Rimba Jaya	-	40
P. T. Kulim Company	4	4
P. T. Pertambangan Balung Pekanbaru	-	4
Fa. Inewood	3	-
P. T. Bangkinang Pekanbaru	8	-
P. T. Nastiti	17	-
CV. Samin	2	-
P. T. IFA Samalinang Peranap Indragiri Hulu	-	17
P. T. Bumi Tani	-	7
Perabot Asia Jaya	5	-
P. T. Riau Crumb Rubber Fty Pekanbaru	3	-
Indonesia Survey AS Pekanbaru	-	19
P. T. Petro Sea Int Indonesia Pekanbaru	-	63
P. T. Sindotim Pekanbaru	-	4
P. T. Altrak	-	1
Siak Jaya	-	11
Shore Mer Timber	-	63
P. T. Riau Plywood	5	3
CV. Uka Pekanbaru	-	1
Total	47	219

Note: P. T. stands for perusahaan terbatas (limited company).

Source: RdA (1975).

Appendix xlviii. Shipbuilding companies in the Riau Islands in 1974.

Name (established year, place)	Equipment	Workers	Capital £
WILYATI Toluk Sekudai (Tembelan, 1969)	Saws, axe, drill, etc.	9	
Lim Kan Lim alins Budiman Kesuna (Tanjung Pinang, 1956)	1 diesel engine, 3 drilling machines, 1 scouring machines, 2 others	9	3,090
Lim You Rock (Tanjung Pinang, 1969)	10 iron hammers, 24 wood drills, 10 pressers, 3 cranes, 20 axes, ; 3 hoes, 24 chisels, 2 excavations, 2 sawing machines, 2 chainsaws, etc.	37	3,605
Sabtu d.h Chan Hong Ngie (Tanjung Balai (Karimun), 1970)	6 axes, 6 saws, 6 jacks, 6 hammers, 6 drills, etc.	11	93
P.K.(F).I. (Tanjung Pinang, 1972)	1 chainsaw, 1 planer machine, 3 drilling machines, 9 axes, 10 handsaws, 10 hand drills, etc.	17	4,304
P.K.(F).I. Tanjung Pinang	1 diesel engine generator, 2 chainsaws, 2 planer machines, 5 drilling machines, 6 axes, 4 hand saws, 4 hand drills, etc.	10	4,304

Source: Lampiran (1974).

Appendix xlix. Industrial machines used in private companies in Riau Islands in 1974.

Name	Type	Information
CV. RIMBA JAYA (Tanjung Pinang)	Timer	Diesel engines, saw machines, automatic saws (from the UK, Japan, Malaysia, 1955-1972)
DJAYA (Tanjung Pinang)	Timber	Diesel engines, band saws, automatic saws (from Netherlands, Taiwan, Japan, 1940-1971)
SINAR HARAPAN (Kundur, Tanjung Batu)	Timber	Diesel engines, band saws, automatic saws, saw blade sharpeners (from the UK, Japan, Malaysia, Singapore, 1950-1971)
FA. P. Bintan (Tanjung Pinang)	Lemonade	Diesel engines, automatic fillers, mixers, blenders of CO ₂ , equipment of bottle and cover (from the UK, Singapore, Germany, Singapore, 1950-1962)
CV. SINCA MAS (Tanjung Balai, Karimun)	Lemonade	Diesel engines, automatic mixers of CO ₂ , equipment of bottle and cover (from UK, Singapore, 1970)
SEGAR (Kundur)	Lemonade	Diesel engines, automatic mixers of CO ₂ , equipment of bottle and cover (from the UK, Indonesia, 1950)
TJIPTA (Tanjung Pinang)	Dried noodle	Diesel engines, grinders, etc. (from Singapore, 1968)
DEWI (Tanjung Pinang)	Dried noodle	Diesel engines, blenders, grinders (from the UK, 1965)
PT. FAJAR TIMUR (Tanjung Pinang)	Clothing	Diesel generator, automatic pressers, button installations, sewing machines, etc. (from Japan, the UK, 1971)
PT. Pulau Bintan JAYA (Tanjung Pinang)	Crumb rubber	Diesel engines, conveyors, cutting machines, granulator, air pump, hydro-cyclone, vibrating scream, etc. (from Germany, France, 1968)
PT. MANTRUST (Tanjung Pinang)	Pineapple cannery	Diesel generator, equipment of conservation and vacuum, cooling machine, etc. (from Germany, the UK, the Netherlands, Japan, Indonesia, Australia, Italy, 1965)
BUNGA DUA (Tanjung Batu)	Coffee powder	Diesel potter, electric motor, etc. (from the UK, 1940)

Source: *Lampiran* (1974).

Appendix 1. Export unit value indices for Singapore (1900-1939, 1950-1970) and export price index for Indonesia (1870-1938).

Export unit value indices (Singapore, 1900=100)		Export Price Index (Indonesia, 1900-100)	
1900	100	1870	130.2
1901	103	1871	157.8
1902	109.6	1872	165.2
1903	107.8	1873	169.6
1904	101.5	1874	176
1905	104.3	1875	169.7
1906	111.2	1876	160.4
1907	104.2	1877	167.7
1908	98.3	1878	168.1
1909	103	1879	156.6
1910	114	1880	159
1911	122.3	1881	130.4
1912	127.2	1882	131.5
1913	124.3	1883	142.2
1914	114.6	1884	123.4
1915	126.4	1885	124.5
1916	139	1886	131.5
1917	150.2	1887	135.7
1918	166.2	1888	127.2
1919	176.9	1889	147.9
1920	203.6	1890	152.1
1921	133.1	1891	119.9
1922	114.3	1892	124.9
1923	126.5	1893	143.4
1924	130.1	1894	126.7
1925	166.3	1895	114.1
1926	152.3	1896	124.9
1927	142.3	1897	110.8
1928	117.1	1898	106.4
1929	110.8	1899	103.7
1930	88.1	1900	100
1931	73	1901	104.2
1932	62.9	1902	93
1933	63.6	1903	94.9
1934	77.3	1904	99.3
1935	78.5	1905	110.4
1936	81.8	1906	101.9
1937	90.5	1907	98.9

1938	77.7	1908	104.3
1939	86.7	1909	104.3
1950	264.9	1910	114.9
1951	374.3	1911	137.1
1952	302.3	1912	129.2
1953	261.9	1913	135.3
1954	254.6	1914	147.9
1955	299.8	1915	167.3
1956	291.2	1916	159.1
1957	284.7	1917	181.9
1958	274.7	1918	226
1959	301	1919	263.6
1960	307.8	1920	362.1
1961	307.8	1921	207.7
1962	307.8	1922	198
1963	307.2	1923	210.6
1964	312.5	1924	203.4
1965	310.7	1925	205.4
1966	297.2	1926	188.5
1967	299	1927	179
1968	282.6	1928	150.1
1969	294.3	1929	132.3
1970	308.4	1930	111.1
		1931	77.4
		1932	50.6
		1933	47.2
		1934	49.8
		1935	48.7
		1936	56.7
		1937	80.4
		1938	56.3

Source: Sugimoto, *Economic Growth*, 129, 136; Van Ark, 'The Volume'.

Appendix 2: Chronology

Residents of Singapore (1819-1826), Governors of Straits Settlements (1826-1946), Governors of Singapore (1946-1959).

William Farquhar	1819-1823
John Crawfurd	1823-1826
Robert Fullerton	1826-1830
Robert Ibbetson	1830-1833
Kenneth Murchison	1833-1836
Samuel George Bonham	1836-1843
William John Butterworth	1843-1855
Edmund Augustus Blundell	1855-1859
William Orfeur Cavenagh	1859-1867
Harry St. George Ord	1867-1873
Andrew Clarke	1873-1875
William Jervois	1875-1877
Edward Archibald Harbord Anson*	1877
William Cleaver Francis Robinson	1877-1879
Edward Archibald Harbord Anson*	1879-1880
Frederick Weld	1880-1887
Cecil Clementi Smith	1887-1893
William Edward Maxwell	1893-1894
Charles Mitchell	1894-1899
James Alexander Swettenham*	1899-1901
Frank Swettenham	1901-1904
John Anderson	1904-1911
Arthur Young	1911-1920
Laurence Guillemard	1920-1927
Hugh Clifford	1927-1930
Cecil Clementi	1930-1934
Shenton Thomas	1934-1942
Lord Louis Mountbatten**	1945-1946
Shenton Thomas	1945-1946
Franklin Charles Gimson	1946-1952
Wilfred Lawson Blythe***	1952
John Fearn Nicoll	1952-1955
William Goode***	1955

Robert Brown Black	1955-1957
William Goode	1957-1959

Note: * Acting Governor of the Straits Settlements; ** British High Command; *** Acting Governor of Singapore.

Source: ARSS, CSAR, SYB.

Temenggong/Sultan of Johor, 1806-1981.

Abdul Rahman	1806-1825
Daing Ibrahim	1825-1862*
Abu Bakar	1862-1895
Ibrahim	1895-1959
Ismail	1959-1981

Note: * He was officially installed as temenggong in 1841. In 1855, he claimed himself as maharaja of Johor.

Source: Trocki, Prince.

Sultan of the Riau-Lingga Sultanate, 1811-1911.

Abdul Rahman I	1811-1832
Muhammad II	1832-1841*
Mahmud Muzaffar	1834-1857**
Sulaiman	1857-1883***
Abdul Rahman II	1883-1911****

Note: * After about 1834, Sultan Muhammad II acted as a Regent.

** Sultan Mahmud Muzaffar was crowned sultan by his father in about 1834. Sultan Muhammad died in 1841 and Mahmud took over the kingdom without a regent. In 1856, Sultan Mahmud ignored the Dutch prohibition and insisted on going to Singapore. Having made a threat, the Dutch then deposed him and he died in Pahang in July, 1864.

*** On October 10, 1857, the Dutch installed Mahmud's uncle, Sulaiman, as sultan of Lingga.

**** He was the son of Yang di-Pertuan Muda Muhammad Yusuf. His mother was Fatimah, daughter of ex-Sultan Mahmud.

Source: Matheson, 'Mahmud,' 123-5, 146.

Residents of the Riau Residency, 1870-1942.

D. W. Schiff	1870-1880
A. H. G. Blokzeijl	1886
E. A. Halewijn	1886-1888
F. S. A. de Clercq	1888-1890
E. W. E. Burger	1890-1893
A. L. van Hasselt	1893-1896
A. M. Joeekes	1896-1898
W. C. Hoogkamer	1898-1901
V. L. de Lannoy	1901-1903
W. A. de Kanter	1903-1908
W. J. Rahder	1908-1910
G. F. de Bruin Kops	1910-1914
A. C. Veenhuyzen	1914-1916
L. R. Wentholt	1916-1921
L. M. F. Plate	1921-1924
V. A. Doeve	1924-1928
J. Roest	1928-1933
Jhr. J. M. von Schmidt auf Altenstadt	1933-1936
P. J. Goedhart	1936-1939
G. van Brakel	1939-1942

Source: RAN***Chinese Kapiteins in the Riau Islands, 1867-1942.***

Kapitein in Tandjong		Kapitein in Lingga	
Pinang			
Poeij Gossi	1867-1875	Gho Soei Lim	1870-1877
Oei Soei Kiat	1875-1892	Oeij Soei In	1877-1891
Oei Tiang Tjai	1892-1917	Liem Pak Djiem	1891-1904
Oei Tiou Tjing	1917-1930		
Oei Pit Ship	1930-1942		

Source: RAN.

Appendix 3: Selected Chinese Translations

Cheong Chin Heng	章芳琳
Chew Boon Lay	周文礼
Chinese Chamber of Commerce and Industry	中华总商会
Chinese Commerce Bank	华商银行
Chop	号
Chop Ban Ann	万安号
Chop Chin Choon	振兴号
Chop Chin Giap	振春号
Chop Chin Joo	振裕号
Chop Kwang Hong	广丰号
Chop Tek Watt	德发号
Chung-hua tsung-hui (Chinese General Association)	中华总会
Cunxin Kongsì	存心公司
Danbangke	担帮客
Dangerous Societies Suppression Ordinance	危险社团镇压法令
De Ambtenaar voor Chineesche zaken	华民政务司
E. Fong Seng	余凤城
Fujian	福建
Fuxing Kongsì	福兴公司
Gho	吴
Goh Chok Tong	吴作栋
Gho Siew Swee & Co.	吴秀水公司
Guangdong	广东
Guangzhao Kongsì	广肇公司
Haishan Kongsì	海山公司
Hap Liong Company	合隆号
Heap Eng Moh	协荣茂轮船公司
Ho Hong Bank	和丰银行
Ho Hong Steamship Company	和丰轮船公司
Hokkien	福建人
Hsiao-po/Fu-po	小坡/福坡
Hui	会
Kangchu	港主
Kangchu system	港主制度
Kangkar	港脚

Kapitan	甲必丹
Kongkek	公局
Kongsi	公司
Kwong Yik Bank	广益银行
Lee Cheng Yan	李清渊
Lee Keng Liat	李庆烈
Lee Kong Chian	李光前
Lee Pek Hoon	李白云
Lieutenant	雷珍兰
Lim Peng Siang	林秉祥
Major	玛腰
Nanyang	南洋
NV Lian Hua	联华轮船公司
Oei/Oey	黄
Oversea-Chinese Banking	华侨银行
Panglong	枋廊
Red diploma	洪单
Sampan poekat	大船
Sampan	舢板
Seah Cheng Joo	余振裕
Seah Chiam Yeow	余瞻耀
Seah Eng Kiat	余应吉
Seah Eu Chin	余有进
Seah Liang Seah	余连城
Secretary	朱葛礁
Sim Cheng Mia	沈清名
S.M.J.	忠诚勋章
Songbai Kongsi	松柏公司
Syonan-to	昭南岛
Ta-po/Chao-po	大坡/潮坡
Tan/Chen	陈
Tan A Tiao	陈亚朝
Tan Chay Yan	陈齐贤
Tan Joor Tiam	陈裕添
Tan Hengjing	陈亨敬
Tan Hoo	陈和
Tan Jiak Kim	陈若锦
Tan Jincheng	陈进成
Tan Joor Tiam	陈裕添
Tan Kah Kee	陈嘉庚
Tan Keong Saik	陈恭锡
Tan Kim Wah	陈金华
Tan Seng Poh	陈成宝

Tan Taw Hee	陈大喜
Tan Tock Seng	陈笃生
Tan Wi Yan	陈惟贤
Tan Yeok Nee	陈旭年
Tan Yuanjiao	陈源教
Tauke	头家
Temenggong	天猛公
Teochew	潮州人
The Chinese General Association	中华总会
The Chinese Protectorate	华民护卫司署
The Heaven and Earth Society (Triad)	天地会
Tio Hoe Lay	张扶来
Tiong Hua Loen Chun Kongsì	中华轮船公司
Totok	新客
Wee Bin & Company	黄敏公司
Wee Boon Teck	黄文德
Western ships	番仔船
Wong Ah Fook	黄亚福
Wong Siew Yuen	黄兆源
Yicheng Kongsì	义成公司
Yifu Kongsì	义福公司
Yixing Kongsì	义兴公司

Bibliography

Archives

Arsip Nasional Republik Indonesia (ANRI, National Archives of the Republic of Indonesia), Jakarta AS: *Algemene Secretarie*
RAR: *Residentie Archief Riouw*

National Archives of the United Kingdom, Kew

- BT 31: Board of Trade: Companies Registration Office: Files of Dissolved Companies (1855-1930)
CO 273: Colonial Office: Straits Settlements Original Correspondence (1838-1939)
CO 882: War and Colonial Department and Colonial Office: Confidential Print Eastern (1843-1952)

Special Collection, Leiden University Library

- BPL 2105: M. Schaalje, *De geheime genootschappen*
BPL 2106: M. Schaalje, *Collectanea de lingua sinica*

Government reports and statistics

- ABSM Annual Bulletin of Statistics, Malaysia (1964-1968)
ARFM Annual Report of the Federation of Malaya (1949)
ARMD Annual Report of the Marine Department (1949)
ARSS Annual Reports of the Straits Settlements (1870-1942)
ASTSIJB Annual Statistical Tables, State/Inspectorate of Johor Bahru (1963-1966)
CEI Changing Economy in Indonesia: A Selection of Statistical Source Material from the early Nineteenth Century up to 1940
CSAR Colony of Singapore Annual Report (1950-1960)
DMAR Department of Mines, Annual Report (1966)
HCHON Handboek voor cultuur- en handels-ondernemingen in Nederlandsch-Indië (1888-1940)
JAR Johor Annual Report (1910-1942)
JN *Jaaroverzicht van den in-en uitvoer van Nederlandsch-Indië gedurende het jaar 1925-1942*

KV	<i>Koloniaal Verslag</i> (1870-1930)
MCKS	<i>Mededeelingen van het Centraal Kantoor voor de Statistiek gedurende het jaar 1925-1940</i>
MvO	<i>Memories van Overgave</i>
MSMDESS	Malayan Statistics Monthly Digest of Economic and Social Statistics (1955-1960)
Lampiran	<i>Lampiran laporan: laporan survey: industri maritim/kapal kayu, industri dasar bidang permesinan dan peralatan industri, industri kerajinan tenun gedogan di daerah Propinsi Riau</i> (1973, 1974)
OCTS	Oil Palm, Coconut and Tea Statistics (Department of Statistics)
RRBDFM	Report on the Registration of Births and Deaths, the Federation of Malaya (1950-1965)
RAN	<i>Regeerings-Almanak voor Nederlandsch-Indië</i> (1870-1942)
RBI	Report of Bank Indonesia (previously the Java Bank)
RdA	<i>Riau dalam Angka</i> (1975)
RSH	Rubber Statistics Handbook (Department of Statistics)
SHS	<i>Statistiek van den handel, de scheepvaart en de in- en uitvoerregten op de bezittingen buiten Java en Madoera, over het jaar 1866-1875, Statistiek van den handel, de scheepvaart en de in- en uitvoerrechten in Nederlandsch-Indië over het jaar 1877-1925</i>
SI	<i>Statistik Indonesia</i> : statistical pocketbook of Indonesia
SMD	Singapore and Malaysia Directory (1966)
SSN	<i>Statistiek van de scheepvaart in Nederlandsch-Indië over het jaar 1910-1939</i>
STDS	The Straits Times Directory of Singapore (1889, 1891, 1907, 1908)
SYB	Singapore Year Book (1949-1966)
TDAR	Trade Division Annual Report (1960-1969)
VSWM	Vital Statistics West Malaysia (1967)
YSS	Yearbook of Statistics Singapore (1967-1972)

News papers

Browns Malayan Economic Review

Soerabaijasch Handelsblad

Singapore Free Press

Singapore Free Press and Mercantile Advertiser

Singapore Monitor

Straits Times

Books and articles

- Abshire, J. E. *The History of Singapore*. (Santa Barbara, CA: Greenwood, 2011).
- An, H. 'Chaozhouese Pioneers at Johor and Muar in Malaysia,' *Shantou University Journal (Humanities and Social Science Bimonthly)* 18, no. 2 (2002): 80-92.
- Andaya, L. Y. *The Kingdom of Johor, 1641-1728: A Study of Economic and Political Developments in the Straits of Malacca*. (Ithaca, NY: Cornell, 1971).
- Anuwar, M. *The Palm Oil Industry*. (Kuala Lumpur: Institiut Penyelidikan Minyak Kelapa Sawit Malaysia, 1982).
- Ark, Bart van. 'The Volume and Price of Indonesian Exports, 1823 to 1940: The Long-Term Trend and its Measurement,' *Bulletin of Indonesian Economic Studies* 24, no. 3 (1988): 87-120.
- Arnold, Walter. 'Growth Triangles in Asia: A New Approach to Regional Economic Cooperation Edited by Myo Thant, Min Tang, and Hiroshi Kakazu (Book Review),' *Journal of Developing Areas* 30, no.2 (1996): 237-8.
- ASEAN. *ASEAN Selected Statistics, 1967-1983*. (Jakarta: ASEAN Secretariat, 1985).
- Barlow, C. and J. Drabble. 'Government and the Emerging Rubber Industries in Indonesia and Malaya, 1900-1940,' in *Indonesian Economic History in the Dutch Colonial Era*, eds A. Booth, W.J. O'Malley and A. Weidemann (New Haven: Yale University Press, 1990): 187-209.
- Bassett, D. K. 'British Country Trade and Local Trade Networks in the Thai and Malay States, c.1680-1770,' *Modern Asian Studies* 23 (1989): 625-43.
- Beale, L. B. *A Review of the Trade of British Malaya in 1928*. (London: H.M.S.O, 1929).
- Benda, Harry J., James K. Irikura and Kōichi Kishi. *Japanese Military Administration in Indonesia: Selected Documents* (New Haven: Yale University, 1965).
- Bentley, Jerry H. 'Global Transformations: Politics, Economics and Culture by David Held, Anthony McGrew, David Goldblatt, Jonathan Perraton (Book Review),' *The Journal of Economic History* 60, no. 2 (2000): 589-90.
- Bauer, P. T. 'The Working of Rubber Regulation,' *The Economic Journal* 56, no. 223 (1946): 391-414.
- Berkley, C. B. *An Anecdotal History of Old Times in Singapore, 1819-1867*. (Singapore: Oxford University Press, 1984).
- British Military Administration. *The Entrepôt Trade of Singapore*. (Singapore: Department of Publicity and Printing, 1945).
- Butlin, R. A. *Geographies of Empire: European Empires and Colonies, c. 1880-1960*. (Cambridge: Cambridge University Press, 2009).
- Campo, J. N. F. M. à. *Engines of Empire: Steamshipping and State Formation in Colonial Indonesia*. (Hilversum: Verloren, 2002).
- Cator, W. J. *The Economic Position of the Chinese in the Netherlands Indies*. (Oxford: Blackwell, 1936).
- Chandler, D. P. and D. J. Steinberg. *In Search of Southeast Asia: A Modern History*. (Honolulu: University of Hawaii Press, 1987).
- Chen, H. I. A. *Transnational Sub-regional Cooperation in Practice: Dynamics of Micro-regionalism and Micro-regionalisation in the East Asia Pacific*. (Ph.D. dissertation, University of York, 2009).
- Chiang, H. D. *A History of Straits Settlements Foreign Trade, 1870-1915*. (Singapore: National

Museum, 1978).

Chin, C. B. N. 'The State of the 'State' in Globalization: Social Order and Economic Restructuring in Malaysia,' *Third World Quarterly* 21, no. 6 (2000): 1035-57.

Cho, G. *The Malaysian Economy: Spatial Perspectives*. (London: Routledge, 1990).

Chou, Cynthia. 'Multiple Realities of the Growth Triangle: Mapping Knowledge and the Politics of Mapping,' *Asia Pacific Viewpoint* 47, no. 2, (2006): 241-56.

Colombijn, F. 'Een milieu-effect rapportage van de gambircultuur in de Riau-archipel in de negentiende eeuw,' *Tijdschrift voor Geschiedenis* 110, no. 24 (1997): 290-312.

---. 'Of Money and Trees: A 19th-century Growth Triangle,' *Inside Indonesia* 49 (1997).

Coope, A. E. 'The Kangchu System in Johore,' *Journal of the Malayan Branch of the Royal Asiatic Society* 14, no. 126 (1936): 247-63.

Corley, R. H. V., P. B. Tinker, and C. W. S. Hartley. *The Oil Palm*. (Oxford: Blackwell Science, 2003).

Courtenay, P. P. *A Geography of Trade and Development in Malaya*. (London: Bell, 1972).

Cribb, R. B. and A. Kahin. *Historical Dictionary of Indonesia*. (Lanham, MD: Scarecrow Press, 2004).

Dahles, H. and O. D. van den Muijzenberg. *Capital and Knowledge in Asia: Changing Power Relations*. (London: RoutledgeCurzon, 2003).

Wadley, David and Hayu Parasati. 'Inside South East Asia's Growth Triangles,' *Geography* 85, no. 4: 323-34.

Dent, C. M. *East Asian Regionalism*. (London: Routledge, 2008).

---. 'Paths Ahead for East Asia and Asia-Pacific Regionalism,' *International Affairs* 89, no. 4 (2013): 963-85.

Denzel, M. A. *Handbook of World Exchange Rates, 1590-1914*. (Burlington, VT: Ashgate, 2010).

Devaser, V. *A Plan for Johore Port*. (Kuala Lumpur: Universiti Malaya, 1992).

Drabble, J. H. *Rubber in Malaya, 1876-1922: The Genesis of the Industry*. (Kuala Lumpur: Oxford University Press, 1973).

Drake, P. J. *Currency, Credit and Commerce: Early Growth in Southeast Asia*. (Burlington, VT: Ashgate, 2004).

East Asia Analytical Unit. *Growth Triangles of South East Asia*. (Parkes, ACT: East Asia Analytical Unit, 1995).

Eng, P. van der. 'Bridging a Gap: A Reconstruction of Population Patterns in Indonesia, 1930-61,' *Asian Studies Review* 26, no. 4 (2002): 487-509.

Erman, E. 'Tauke, Kuli dan Penguasa: Eksploitasi Hutan Panglong di Riau,' *SEJARAH: Pemikiran, Rekonstruksi, Persepsi* (1994): 20-33.

Esmara, H. 'An Economic Survey of Riau,' *Bulletin of Indonesian Economic Studies* 11, no. 3 (1975): 25-49.

Ethier, W. J. 'The New Regionalism,' *Economic Journal* 108, (1998): 1149-61.

Evers, H. D. 'Traditional Trading Networks of Southeast Asia,' *Archipel* 35(1988): 89-100.

Falarti, M. M. *Malay Kingship in Kedah: Religion, Trade, and Society*. (New York: Lexington Books, 2013).

Fang, X. *Strategy of Economic Development in Singapore*. (Singapore: Institute of Business Studies, Nanyang University, 1970).

---. *Small Industry in Singapore*. (Singapore: Institute of Business Studies, Nanyang University,

1971).

FAO. *The State of Food and Agriculture, 1984: World Review: The Ten Years since the World Food Conference Urbanization, Agriculture and Food Systems*. (Rome: Food and Agriculture Organization, 1985).

Fernando, M. R. and D. Bulbeck. *Chinese Economic Activity in Netherlands India: Selected Translations from the Dutch*. (Canberra: Pacific and Asian Studies, Australian National University, 1992).

Forbes, R. J. and D. R. O'Beirne. *The Technical Development of the Royal Dutch Shell, 1890-1940*. (Leiden: Brill, 1957).

Ford, M. and L. Lyons. 'Outsourcing Border Security: NGO Involvement in the Monitoring, Processing and Assistance of Indonesian Nationals Returning Illegally by Sea,' *Contemporary Southeast Asia* 35, no. 2 (2013): 215-34.

Frederick, W. H. and R. L. Worden. *Indonesia: A Country Study*. (Washington, D.C.: Federal Research Division, 1993).

Frost, M. R. 'Asia's Maritime Networks and the Colonial Public Sphere, 1840-1920,' *New Zealand Journal of Asian Studies* 6, no. 2 (2004): 63-94.

Gainsborough, M. *On the Borders of State Power: Frontiers in the Greater Mekong Sub-region*. (London: Routledge, 2009).

Gomez, E. T. 'The Rise and Fall of Capital: Corporate Malaysia in Historical Perspective,' *Journal of Contemporary Asia* 39, no. 3 (2009): 345-81.

Gooszen, A. J. *A Demographic History of the Indonesian Archipelago, 1880-1942*. (Leiden: KITLV Press, 1999).

Goto, Kenichi and Kentchi Kratoska. *Tensions of Empire: Japan and Southeast Asia in the Colonial and Postcolonial World*. (Athens: Ohio University Press, 2003).

Great Britain, Board of Trade. *Trade and Shipping of South-east Asia*. (London: Darling & son, 1901).

Grundy-Warr, C., K. Peachey, and M. Perry. 'Fragmented Integration in the Singapore-Indonesian Border zone: Southeast Asia's 'Growth Triangle' against the Global Economy,' *International Journal of Urban and Regional Research* 23, no. 2 (1999): 304-28.

Guinness, P. *On the Margin of Capitalism: People and Development in Mukim Plentong, Johor, Malaysia*. (Singapore: Oxford University Press, 1992).

Gupta, S. D. 'Comparative Advantage and Competitive Advantage: An Economics Perspective and a Synthesis,' *NB, Canada*: <http://economics.ca/2009/papers/0534.pdf> (2009): 19.

Hackenberg, R. A. 'Urbanization and Migration in Asean Development,' *Journal of Asian Studies* 45, no. 5 (1986): 1119-21.

Held, D., A. G. McGrew, D. Goldblatt, and J. Perraton. *Global Transformations: Politics, Economics and Culture*. (Stanford, CA: Stanford University Press, 1999).

Henriques, R. D. Q. *Marcus Samuel: First Viscount Bearsted, and Founder of the 'Shell' Transport and Trading Company, 1853-1927*. (London: Barrie and Rockliff, 1960).

Hettne, Björn. 'Beyond the 'New' Regionalism,' *New Political Economy* 10, no. 4 (2005): 543-71.

Ho, K. C. and A. So. 'Semi-periphery and Borderland Integration: Singapore and Hong Kong Experiences,' *Political Geography* 16, no. 3 (1997): 241-59.

- Hotta, M. and L. T. Wang. *Fishermen Relocation Programme in Peninsular Malaysia*. (Rome: Food and Agriculture Organisation, 1986).
- Huff, W. G. *The Economic Growth of Singapore: Trade and Development in the Twentieth Century*. (Cambridge: Cambridge University Press, 1994).
- Huff, W. G. and L. Angeles, 'Globalization, Industrialization and Urbanization in Pre-World War II Southeast Asia,' *Explorations in Economic History* 48, no. 1 (2011): 20-36.
- Hughes, D. W. and D. W. Holland. 'Core-Periphery Economic Linkage: A Measure of Spread and Possible Backwash Effects for the Washington Economy,' *Land Economics* 70, no. 3 (1994): 364-77.
- 'Inter-Island Shipping,' *Bulletin of Indonesian Economic Studies* no. 3 (1966): 27-51.
- Jackson, J. C. *Planters and Speculators: Chinese and European Agricultural Enterprise in Malaya, 1786-1921*. (Kuala Lumpur: University of Malaya Press, 1968).
- Jonker, J., J. L. van Zanden, S. Howarth, and K. E. Sluyterman. *A History of Royal Dutch Shell*. Vol. 1. (Oxford: Oxford University Press, 2007).
- Jordan, A. A. and J. Khanna. 'Economic Interdependence and Challenges to the Nation-State: The Emergence of Natural Economic Territories in the Asia-Pacific,' *Journal of International Affairs* 48, no. 2 (1995): 433-62.
- Kalir, B. and M. Sur. *Transnational Flows and Permissive Politics: Ethnographies of Human Mobilities in Asia*. (Amsterdam: Amsterdam University Press, 2012).
- Khera, H. S. *The Oil Palm Industry of Malaysia: An Economic Study*. (Kuala Lumpur: Penerbit Universiti Malaya, 1976).
- Kirby, S. W. 'Johore in 1926,' *Geographical Journal* 71, no. 3 (1928): 240-57.
- Klasing, M., P. Milionis, and R. Zymek. 'Trade Theory and Trade Growth since 1870,' (Working paper at Groningen University, 2013).
- Koch, G. G. 'Economic Analysis of Asian Growth Triangles: The Johor-Singapore-Riau Growth Triangle,' *Papers on languages and cultures* 7(2000): 43-54.
- Kottaridi, C. 'The 'Core-periphery' Pattern of FDI-led Growth and Production Structure in the EU,' *Applied Economics* 37, no. 1 (2005): 99-113.
- Kratoska, P.H. *The Japanese Occupation of Malaya: A Social and Economic History*. (London: Hurst & Co., 1998).
- Kwong, K. S. *Industrial Development in Singapore, Taiwan, and South Korea*. (Singapore: World Scientific, 2001).
- Lake, H. *Johore*. (London: Royal Geographical Society, 1894).
- Lee, S. A. *Economics of Pineapple Smallholdings in Johore*. (Pekan Nanas, Johore: Malayan Pineapple Industry Board, 1972).
- Lee, S. Y. 'Some Basic Problems of Industrialization in Singapore,' *Journal of Developing Areas* 7, no. 2 (1973): 185-216.
- . *The Monetary and Banking Development of Singapore and Malaysia*. (Singapore: Singapore University Press, 1990).
- Lee, T. Y. *Growth Triangle: The Johor-Singapore-Riau Experience*. (Singapore: Institute of Southeast Asian Studies, 1992).
- Lee, Yih-yuan. *An Immigrant Town: Life in an Overseas Chinese Community in Southern Malaya*. (Taipei: Academia Sinica, 1970).
- Leinbach, Thomas R. 'Transportation and Development of Malaya,' *Annals of the Association of American Geographers* 65, no. 2 (1970): 270-82.

- Leung, S. T. *Improving Southeast Asian Security within the ASEAN Framework: Insurgencies and Counterinsurgencies*. (BiblioScholar, 2012).
- Lim, P. P. H. 'Continuity and Connectedness: The Ngee Heng Kongsi of Johore, 1844-1916,' in *New Terrains in Southeast Asian history*, eds B. S. A. Yeoh, Haji S. Badriyah, A. Abu Talib, P. P. H. Lim, L. E. Tan, C. J. W. I. Wee, I. Abdul Rahman Haji, S. P. Kobkua, L. Hong and J. Huang (Singapore: Singapore University Press, 2003).
- . *Johor, 1855-1957: Local History, Local Landscapes*. (Singapore: Straits Times Press, 2009).
- Lim, T. B. *The Development of Singapore's Economy*, Background to Malaya series. (Singapore: Eastern Universities Press, 1960).
- Lindblad, J. T. 'The Petroleum Industry in Indonesia before the Second World War,' *Bulletin of Indonesian Economic Studies* 25, no. 2 (1989): 53-77.
- . *Bridges to New Business: The Economic Decolonization of Indonesia*. (Leiden: KITLV Press, 2008).
- . 'The Economic Decolonization of Sumatra,' *New Zealand Journal of Asian Studies* 11, no. 1 (2009): 178-88.
- Lindblad, J. T. (ed.) *New Challenges in the Modern Economic History of Indonesia*. (Leiden: Programme of Indonesian Studies, 1993).
- Locher-Scholten, E. 'Dutch Expansion in the Indonesian Archipelago around 1900 and the Imperialism Debate,' *Journal of Southeast Asian Studies* 25, no. 1 (1994): 91-111.
- Lyons, L. and M. Ford. 'Citizenship and Belonging at Indonesia's Margins,' in *Chinese Indonesians Reassessed: History, Religion and Belonging*, eds S. M. Sai and C.Y. Hoon (New York: Routledge, 2013).
- Mansfield, E. D. and E. Solingen. 'Regionalism,' *Annual Review of Political Science* 13 (2010): 145-63.
- Marchand, M. H., M. Boas and T. M. Shaw 'The Political Economy of New Regionalisms,' *Third World Quarterly* 20, no.5 (1999): 897-910.
- Matheson, V. 'Mahmud, Sultan of Riau and Lingga (1823-1864),' *Indonesia* 13 (1972): 119-46.
- . 'Strategies of Survival: The Malay Royal Line of Lingga-Riau,' *Journal of Southeast Asian Studies* 17, no. 1 (1986): 5-38.
- McDonald, P. 'Confucian Foundations to Leadership: A Study of Chinese Business Leaders across Greater China and South-East Asia,' *Asia Pacific Business Review* 18, no. 4 (2012): 465-87.
- Mittelman, J. H. 'The Globalisation challenge: Surviving at the Margins,' *Third World Quarterly* 15, no. 3 (1994): 427-43.
- Mohamed, A. *Export Trade and the West Malaysian Economy: An Enquiry into the Economic Implications of Export Instability*. (Kuala Lumpur: Faculty of Economics & Administration, University of Malaya, 1972).
- Neville, W. 'Agribusiness in Singapore: A Capital-Intensive Service,' *Journal of Rural Studies* 8, no. 3 (1992): 241-55.
- Ng, C. K. *The Chinese in Riau: A Community on an Unstable and Restrictive Frontier*. (Singapore: Institute of Humanities and Social Sciences, Nanyang University, 1976).
- Olzak, S. 'Ethnic Protest in Core and Periphery States,' *Ethnic and Racial Studies* 21, no. 2 (1998): 187-217.

- Ota, A. 'The Business of Violence: Piracy around Riau, Lingga, and Singapore, 1820-1840,' in *Elusive Pirates, Pervasive Smugglers: Historical Perspectives on Violence and Clandestine Trade in the Greater China Seas*, ed. R. J. Antony. (Hong Kong: Hong Kong University Press, 2010).
- Othman, A. G. and C. O. Fong. *Johore Port: An Economic Evaluation and Formulation of a Long-term Expansion Strategy*. (Kuala Lumpur: Faculty of Economics and Administration, University of Malaya, 1982).
- Özer, K. O., H. Latif, M. Saruşik and Ö. Ergün. 'International Competitive Advantage of Turkish Tourism Industry: A Comparative Analyse of Turkey and Spain by Using the Diamond Model of M. Porter,' *Procedia-Social and Behavioral Sciences* 58 (2012): 1064-76.
- Pangestu, M., H. Soesastro, and M. Ahmad. *Intra-ASEAN Economic Cooperation: A New Perspective*. (Jakarta: Centre for Strategic and International Studies, 1991).
- Peachey, K., M. Perry, and C. Grundy-Warr. *The Riau Islands and Economic Cooperation in the Singapore Indonesian Border Zone*. (Durham, NC: Duke University Press, 1998)
- Phelps, N. A. 'Triangular Diplomacy Writ Small: The Political Economy of the Indonesia-Malaysia-Singapore Growth Triangle,' *Pacific Review* 17, no. 3 (2004): 341-68.
- Pletcher, J. 'Regulation with Growth: The Political-Economy of Palm Oil in Malaysia,' *World Development* 19, no. 6 (1991): 623-36.
- Pluvier, J. M. *Historical Atlas of South-East Asia*. (Leiden: Brill, 1995).
- Porter, M. E. *The Competitive Advantage of Nations*. (New York: Free Press, 1990).
- Potting, C. J. M. *De ontwikkeling van het geldverkeer in een koloniale samenleving: Oostkust van Sumatra, 1875-1938*. (Ph.D. dissertation, Leiden University, 1997).
- Rahman, Abdul Aziz Abdul, J. Jamali and H. W. Wong. *The Maritime Economy of Malaysia*. (Petaling Jaya: Pelanduk Publications, 1997).
- Regional Investment Coordinating Board of Riau Province, B. *Project Information: Palm Oil Plantations and Processing: Rubber Plantations and Processing*. (Pekanbaru: Regional Investment Coordinating Board of Riau Province (BKPMMD), 1982).
- Reid, A. 'The Birth of the Republic in Sumatra,' *Indonesia* 12 (1971): 21-46.
- Rizzo, A. and J. Glasson. 'Iskandar Malaysia,' *Cities* 29, no. 6 (2012): 417-27.
- Robison, R. *Indonesia: The Rise of Capital*. (Sydney: Allen & Unwin, 1986).
- Rosenberg, D. 'Book Review: Elusive Pirates, Pervasive Smugglers: Violence and Clandestine Trade in the Greater China Seas,' *China Journal*, no. 66 (2011): 225 -26.
- Rottman, Gordon. *Japanese Army in World War II: Conquest of the Pacific 1941-42*. (Oxford: Osprey, 2013).
- Royle, S. A. 'Industrialisation in Indonesia: The example of Batam Island,' *Singapore Journal of Tropical Geography* 18, no. 1 (1997): 89-98.
- Sasse, G. 'The Role of Regionalism,' *Journal of Democracy* 21, no. 3 (2010): 99-106.
- Selat, Norazit, 'The Emergence of Commodity Production in a Malay District - Muar, Johor,' *Journal of Contemporary Asia* 16, no. 3 (1986): 320-41.
- Selvadurai, S. *Socio-economic Survey of Rubber Smallholders in West Johore*. (Kuala Lumpur: Kementerian Pertanian dan Perikanan, 1972).
- Shamsuddin. *Malayan Railway, 1885-1985: Locomotive Centennial*. (Kuala Lumpur: Hidayah, 1985).
- Short, John Rennie. 'Global Transformations by David Held, Anthony McGrew, David (Book Review),' *Annals of the Association of American Geographers* 91, no. 3 (2001): 585-6.
- Sivalingam, G. *The Economic and Social Impact of Export Processing Zones: The Case of*

- Malaysia. (Geneva: International Labour Office, 1994).
- Sluimers, L. 'The Japanese Military and Indonesian Independence,' *Journal of Southeast Asian Studies* 27, no. 1 (1996): 19-36.
- Song, O. S. *One Hundred Years' History of the Chinese in Singapore*. (London: Murray, 1923).
- Sparke, M., J. D. Sidaway, T. Bunnell, and C. Grundy-Warr, 'Triangulating the Borderless World: Geographies of Power in the Indonesia-Malaysia-Singapore Growth Triangle,' *Transactions of the Institute of British Geographers* 29, no. 4 (2004): 485-98.
- Stejskal, J. and P. Hajek. 'Competitive Advantage Analysis: A Novel Method for Industrial Clusters Identification,' *Journal of Business Economics and Management* 13, no. 2 (2012): 344-65.
- Sudo, S. *The International Relations of Japan and South East Asia: Forging a New Regionalism*, Politics in Asia series. (London: Routledge, 2002).
- Sugimoto, I. O. *Economic Growth in Singapore in the Twentieth Century: Historical GDP Estimates and Empirical Investigations*. (Singapore: 2011).
- Suryadinata, L. *Ethnic Chinese in Contemporary Indonesia*. (Singapore: Chinese Heritage Centre, 2009).
- Swart, A. G. N. *Rubber Companies in the Netherlands Indies*. (Amsterdam: De Bussy, 1911).
- Tagliacozzo, E. *Secret Trades, Porous Borders: Smuggling and States along a Southeast Asian Frontier, 1865-1915*. (New Haven: Yale University Press, 2005).
- Tagliacozzo, E. and W. C. Chang. *Chinese Circulations: Capital, Commodities, and Networks in Southeast Asia*. (Durham, NC: Duke University Press, 2011).
- Tan, C. B. 'Li Yih-yuan and the Study of Chinese in Malaya,' *Bulletin of the Institute of Ethnology Academia Sinica* 89 (2000): 17-31.
- Thambipillaia, Pushpa. 'The ASEAN Growth Areas: Sustaining the Dynamism,' *The Pacific Review*, 11, no. 2: 249-66.
- . 'The ASEAN Growth Triangle: The Convergence of National and Sub-National Interests,' *Contemporary Southeast Asia*, 13, no. 1 (1991): 299-314.
- Thant, M., M. Tang, and H. Kakazu. *Growth Triangles in Asia: A New Approach to Regional Economic Cooperation*. (Oxford: Oxford University Press, 1998).
- Thee Kian Wie. *Plantation Agriculture and Export Growth: An Economic History of East Sumatra, 1863-1942*. (Jakarta: National Institute of Economic and Social Research, 1977).
- . 'The Impact of the Colonial Past on the Indonesian Economy,' in *Conference on the Socio-economic foundations of the Late Colonial State on Java circa 1880-1930: Towards an Explantation* (Wassenaar: NIAS, 1989).
- Thompson, P. A. 'Shipping Routes-An Eastern Maze,' *Journal of Navigation* 27, no. 1 (1974): 4.
- Touwen, J. *Extremes in the Archipelago: Trade and Economic Development in the Outer Islands of Indonesia, 1900-1942*. (Leiden: KITLV Press, 2001).
- Tregonning, K. G. *Home Port Singapore: A history of Straits Steamship Company Limited, 1890-1965*. (Singapore: Oxford University, 1967).
- Tremewan, C. *The Political Economy of Social Control in Singapore*. (New York: St. Martin's Press, 1994).
- Trocki, C. A. 'The Origins of the Kangchu System 1740-1860,' *Journal of the Malaysian Branch of the Royal Asiatic Society* 49, no. 230 (1976): 23.

- . *Prince of Pirates: The Temenggongs and the Development of Johor and Singapore, 1784-1885*. (Singapore: Singapore University Press, 1979).
- . *Opium and Empire: Chinese Society in Colonial Singapore, 1800-1910*. (Ithaca, NY: Cornell University Press, 1990).
- . *Opium, Empire and the Global Political Economy: A Study of the Asian Opium Trade*, Asia's transformations. (New York: Routledge, 1999).
- . 'Opium and the Beginnings of Chinese Capitalism in Southeast Asia,' *Journal of Southeast Asian Studies* 33, no. 2 (2012): 297-314.
- Turnbull, C. M. *The Straits Settlements 1826-67: Indian Presidency to Crown colony*. (London: Athlone Press, 1972).
- . *A History of Singapore, 1819-1975*. (New York: Oxford University Press, 1977).
- . 'British Colonialism and the Making of the Modern Johor Monarchy,' *Indonesia and the Malay World* 37, no. 109 (2009): 227-48.
- . *A History of Modern Singapore, 1819-2005*. (Singapore: NUS Press, 2009).
- Twang, P.Y. *The Chinese Business Élite in Indonesia and the Transition to Independence, 1940-1950*. (Kuala Lumpur: Oxford University Press, 1998).
- Vidyattama, Y. 'Decentralization and Regional Autonomy in Indonesia: Implementation and Challenges,' *Bulletin of Indonesian Economic Studies* 46, no. 3 (2010): 388-90.
- Visscher, S. *The Business of Politics and Ethnicity: A History of the Singapore Chinese Chamber of Commerce and Industry*. (Singapore: NUS Press, 2007).
- Weigend, G. G. 'Some Elements in the Study of Port Geography,' *Geographical Review* 48, no. 2 (1958): 185-200.
- Wesseling, H. L. *The European Colonial Empires: 1815-1919*. (London: Routledge, 2004).
- West, J. M. and K. P. Wang. 'The Mineral Industry of Malaysia,' in *Minerals Yearbook Area Reports: International 1963*. (Washington, D. C.: U.S. Government Printing Office, 1964).
- Williams, C. N. and Y. Xu. *Oil Palm Cultivation in Malaya: Technical and Economic Aspects*. (Kuala Lumpur: University of Malaya Press, 1970).
- Winters, Cecilia Ann. 'Global Transformations by David Held, Anthony McGrew, David Goldblatt, Jonathan Perraton (Book Review),' *Journal of Economic Issues* 34, no. 1 (2000): 247-9.
- Wong, L. K. *The Trade of Singapore, 1819-69*. (Kuala Lumpur: Journal of the Malaysian Branch of the Royal Asiatic Society, 1961).
- Wong, P. K. and K. K. Ng. 'Batam, Bintan and Karimun – Past History and Current Development Towards Being A SEZ,' (Singapore: Asia Competitiveness Institute, 2009).
- World Port Index*. (Washington: Defense Mapping Agency, 1971).
- Wu, X. A. *Chinese Business in the Making of a Malay State, 1882-1941: Kedah and Penang*. (London: Routledge, 2003).
- Xu, X. 'Link Sumatra with the World; A Study of Regional Port Networks, 1870-1940,' (MA thesis, Leiden University, 2011)
- Yoji, A. and Y. Mako. *New Perspectives on the Japanese Occupation in Malaya and Singapore, 1941-1945*. (Singapore: NUS Press, 2008).
- Yoshihara, K. *Foreign Investment and Domestic Response: A Study of Singapore's Industrialization*. (Singapore: Eastern Universities Press, 1976).
- 邱新民. '新加坡的甘密时代,' in 《新加坡寻根》, 章金福 (新加坡: 1983).

Curriculum Vitae

Xiaodong Xu obtained his Bachelor's degree in 2006 at Nanjing University and Master's degree in 2009 at Xiamen University. In 2008, he joined the ENCOMPASS (Encountering a Common Past in Asia) programme at the Institute for History, Leiden University. He was awarded his second BA and MPhil (Master of Philosophy) degrees in 2009 and 2011 respectively. In November 2011, he was appointed to a three-year position as *Assistent in Opleiding* (AIO) at the Faculty of Humanities, Leiden University. This position allowed him to work on a doctoral research. Since 2015 he has appointed as assistant research fellow at National Institute for South China Sea Studies, Haikou, P. R. China. His research interests focus on the economic history of Southeast Asia, the history of overseas Chinese and the South China Sea issue.

Samenvatting

Dit proefschrift bestudeert de geschiedenis van een regionaal samenwerkingsverband, de SIJORI-groeidriehoek, en met name de onderlinge economische verbindingen tussen Singapore, Johor en de Riau-archipel. Deze reeds lang bestaande verbindingen vormden de basis voor lokale netwerken die met name na de jaren 1870 werden uitgebreid, geïntensiveerd en gediversifieerd op niet alleen economisch, maar ook op sociaal en politiek gebied. Aan de hand van vier aspecten, te weten sociopolitieke veranderingen, handel, scheepvaart en kapitaalbewegingen analyseert deze studie twee vormen van integratie van de groeidriehoek tussen 1870 en 1970: 1. Interne integratie binnen de groeidriehoek; 2. Externe integratie in de wereldeconomie binnen een groter proces van globalisering.

Vanuit een sociopolitiek oogpunt vertoonden de regionale politieke en sociale aspecten zowel verschillen als overeenkomsten tussen de drie gebieden. Op politiek gebied was er in de honderd jaar van ontwikkeling binnen de driehoek meer continuïteit dan discontinuïteit zichtbaar, welk kenmerk nauw samenhangt met koloniale politiek. De continuïteit was ook zichtbaar in de politieke relaties. Tussen Singapore en Johor, die onder hetzelfde politieke regime vielen, bestonden interactieve en invloedrijke contacten, terwijl de politieke verbindingen tussen de Riau-archipel en de andere regio's vrij zwak waren. Dit verschil wordt toegeschreven aan het antagonisme tussen de Nederlanders en de Britten en later tussen Indonesië en Maleisië.

In tegenstelling tot het politieke niveau waarop de regio's vrij zelfstandig opereerden, was er op sociaal niveau regionaal juist meer onderlinge verbondenheid en wederzijdse beïnvloeding ten aanzien van demografische structuur, sociale organisatie van de Chinese gemeenschap en etnische relaties.

De voortzetting en beëindiging van deze sociale verbanden werd in grote mate beïnvloed door de relaties tussen Maleiers, Europeanen, Chinezen en andere etnische groepen. De Europese en Chinese economische invloed in de koloniale periode was bevorderd door een goede verstandhouding tussen beide groepen, omdat de Europeanen de Chinezen nodig hadden om als tussenpersonen op te treden. Toen de Maleiers na de Pacifische Oorlog politieke macht verkregen sloeg de goede relatie tussen de Maleiers en de andere bevolkingsgroepen om in lichte rivaliteit. De Europese en Chinese economische positie werd ingeperkt, maar door Maleise

onbekwaamheid in zakendoen en beperkt inheems ondernemerschap konden de Europeanen en Chinezen een rol van belang blijven spelen.

Tegen deze dynamische sociopolitieke achtergrond tekende zich in de regionale economische ontwikkeling een uniek patroon af dat zichtbaar werd in de toename in handel, scheepvaart en kapitaal. In grote lijnen ontwikkelde de regionale economie, die export-georiënteerd was, zich snel in honderd jaar, maar met duidelijke verschillen in plaats en tijd. Singapore vertoonde een ontwikkeling die gelijk was aan de uitbreiding van de wereldhandel in de periode die deze studie omvat. Daarentegen duiden de afwijkende wijzen van economische ontwikkeling in Johor en de Riau-archipel op hun beperkte internationalisering en juist regionale focus.

De tegenstelling tussen Singapore en de twee andere regio's was een direct resultaat van verschillende patronen in economische verbindingen in de drie regio's. In de koloniale periode waren in Singapore internationale contacten gelegd voor de uitwisseling van grondstoffen zoals rubber, mineralen, olieproducten van het achterland en geproduceerde goederen uit westerse landen door stoomschepen die de oceanen bevoeren. Zodoende was een uitgebreid netwerk gecreëerd in Singapore dat toenam in de periode die deze studie beslaat. In zowel Johor als de Riau-archipel daarentegen ontbraken goede externe verbindingen, omdat zij met hun traditionele zeilschepen en oude tweedehands stoomschepen zowel voor export van regionale grondstoffen als voor de import van dagelijkse behoeften afhankelijk waren van Singapore.

Hoewel beide regeringen de intentie hadden om handel te drijven in binnenlandse havens speelden de geografische nabijheid en de goede handelsfaciliteiten in Singapore een essentiële rol in het aantrekken van handel, scheepvaart en kapitaal. Voor Johor en de Riau-archipel werden daarom, afgezien van de driehoek, slechts beperkte externe verbindingen opgezet. Na de onafhankelijkheid transformeerde Singapore langzaam van een haven die afhankelijk was van doorvoerhandel naar een haven die afhankelijk was van export van binnenlandse industriële producten door middel van imports substitutie. Dit resulteerde in een verminderde afhankelijkheid van de Maleise en Indonesische achterlanden, inclusief Johor en de Riau-archipel. Desalniettemin was er zeker tot de jaren zeventig nog geen sprake van een substantiële afname. In de periode die deze studie beslaat vertoonden de economieën van Johor en de Riau-archipel, die vooral regionaal georiënteerd waren, dus een sterke afhankelijkheid van en focus op Singapore, waar de economie sterk geïntegreerd was in de wereldmarkt.

Kortom, in plaats van een groeiende economie in alle drie regio's was er sprake van een aanmerkelijk regionaal verschil dat zichtbaar was in veel sterkere economische prestaties van Singapore dan van de andere gebieden, onder invloed van een combinatie van natuurlijke grondstoffen, economische regelgeving en

politiek beleid in de drie gebieden. Deze studie verklaart het ontstaan van verbindingen binnen de driehoek aan de hand van vier elementen: de wereldwijde vraag naar regionale grondstoffen die overgeladen en verscheept worden in Singapore; de vorming van backward linkages in Singapore gebaseerd op producten van Johor en de Riau-archipel; de financiële diensten in Singapore; en de rol van multi-etnische groepen die optraden als handelaren, transporteurs, investeerders, enzovoorts.

De externe verbindingen van de driehoeksregio werden langzaam uitgebreid en geïntensiveerd in de honderd jaar tussen 1870 en 1970. Deze studie plaatst het regionale netwerk in de context van globalisering aan de hand van een model ontwikkeld door Held, McGrew en anderen. Vier indicatoren worden daarbij gehanteerd: extensiteit, intensiviteit, omloopsnelheid, en invloed. De uitkomsten tonen aan dat de processen en mate van globalisering in Singapore, Johor en de Riau-archipel verschillen. Er was een geleidelijk toenemende integratie in de wereldeconomie in Singapore waarbij volledige globalisering werd bereikt in the naoorlogse periode, terwijl de mate van globalisering in Johor en de Riau-archipel lager was in diezelfde periode.

Regionalisering is daarom een passendere term om de integratie van deze twee regio's te beschrijven. De globalisering in Johor en de Riau-archipel was dus afhankelijk van hun verbindingen met Singapore. Het ontstaan van dit beeld kan het beste geïllustreerd worden aan de hand van de wereld-systeemtheorie, waarbij de discrepantie tussen kern en periferie wordt uitgelicht. Deze studie bevestigt dat het gemakkelijker is voor een regio als Singapore om zijn integratie met de wereld te versterken als de politieke en economische zwaarte overeenkomen. Dit argument bevestigt dat het proces van globalisering in Johor en de Riau-archipel makkelijker te integreren valt met Singapore dan met Maleisië of Indonesië.

Deze studie onderschrijft de visie van Huff dat de samenstelling van de handel van Singapore niet slechts een stedelijk-ruraal dualisme weerspiegelden, maar dat er eigenlijk sprake was van een driedeling, namelijk binnenlandse, Maleise en extra-Maleise markten, die een verschillende mate van integratie van Johor en de Riau-archipel met Singapore weergeven. Dit patroon is vooral ontstaan door Europese en Chinese economische voortrekkers die een grote rol speelden in het in gang zetten van regionale economische veranderingen en buitengewone groei. Deze twee etnische groepen zouden door de aan hen toegeschreven individuele etniciteit en ideologie op verschillende wijzen hebben bijgedragen aan de totstandkoming van de twee verbindingen, zowel de externe als de interne. Deze verbindingen vormden een vroeg prototype van de SIJORI-groeidriehoek.