PRE-MODERN COMMERCE AND SOCIETY IN SOUTHERN ASIA

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It has been fashionable among historians to concentrate their attention on the 19th Century in Asian history as the period that sees the beginnings of deep-seated commercial and industrial changes in many Asian countries. This is associated with their political subjugation and reduction to a colonial status, which, with the exception of Japan, is held to be the catalytic factor that triggered these changes. Of late, however, this proposition has been turned upside down and a school of economic historians has arisen, notably in India, challenging this traditionally held view. They have propounded that, far from being the catalyst and initiator of radical economic and social changes, colonialism has been the factor that retarded them and interfered with a natural development that was already inherent in pre-colonial economy. They would argue that in commerce as in industry and agriculture there were elements of growth and development in the so-called traditional economy which was aborted by the substitution of dependent status for independent statehood.[1] Though this hypothesis has been argued primarily in relation to Indian evidence, it has elements that are applicable to at least parts of Southeast Asia as well. Whether one subscribes to one or the other of these strongly held views, the case has been clearly established for a closer look at the periods just prior to the total subjugation of these regions by advanced industrial powers. In this lecture, I propose to provide an over-view of the 17th and 18th centuries in South and Southeast Asia, highlighting the pattern of indigenous Asian trade, the changes introduced into this trade by the entry of European traders, the implications of this trade to the society in which it was carried on and finally some comments on its potential for future development or non-development. I shall do this primarily on the basis of the most recent research on many specific areas within this entire region, supplemented by observations and interpretations that have occurred to me in the course of some years of work on these fields.

In respect of international commerce, the two centuries are a period of continuous growth, very markedly in the Europe/Asia sector

[1] This debate may be followed in *Indian Economic and Social History Review*, Vol. 5, No. 1 (1968), contributions by Morris D. Morris, T., Raychaudhuri, Toru Matsui. Also Morris, Trends and Tendencies in Indian Economic History, *Indian Economic and Social History Review*, Vol. 5, No. 4 (1968), pp. 319-389.

and somewhat less so in the sector of inter-Asian trade. In the Europe/Asia trade, Asia had a very favourable balance through the greater part of this period and it was only in the last years of the 18th Century that an increasing demand began to develop for European goods in Asian markets. The exports to Europe were thus paid for in bullion imported directly from Europe or indirectly through Manila where the Spanish galleons regularly disgorged South American silver. Much of the silver and some gold was drained into India to pay for Indian exports to Europe. A scholar has recently attempted to show a correlation between American silver imports into Europe and Mughal minting of silver coins.[2] From the first decade of the 18th Century Indian silver imports were supplemented from Manila with the development of a flourishing 'country' trade between India and that port.[3] Though similar statistics are not available for Southeast Asia, it may reasonably be inferred that at least in the 17th Century, before the total monopolization of the spice trade by the Dutch and the forced delivery of pepper at give-away prices, a fair amount of bullion was imported into the region by the Europeans. The effective use of Indian textiles as a medium of exchange tended to reduce this amount and this would serve to explain the different impact of overseas trade on South and Southeast Asia. Likewise, the prevalence of gold in the region enabled its use as a medium and reduced the dependence on imported bullion. Generally, however, Southeast Asian trade presents a more even balance between imports and exports than does that of South Asia in this period.

This massive import of bullion and the investment of capital it represented in the country's economy produced widespread effects on the Indian subcontinent. It led to a spurt in productive activity and extended the productive capacity of the land to the widest possible limits. Nowhere is this more clearly demonstrable than in the textile industry. Traditionally this had been a point of strength of the country's economy. Indian textiles had been a major export from the early centuries of the Christian era. In the 16th Century the Portuguese had come into the trade but because of their relatively weak participation in the inter-Asian trade their entry did not lead to a major augmentation in the volume of Indian exports. It was the Dutch and

[2] Aziza Hasan, The silver currency output of the Mughal Empire, *Indian Economic and Social History Review,* Vol. VI, No. 1 (1969).

[3] S.D. Quaiason, *English Country Trade with the Philippines 1644 - 1765,* Quezon City, 1966, Chapter 3.

the English who soon made the key discovery of the seminal role of Indian textiles in Asian trade. New demands were created in Europe by the exports of these two Companies and these textiles now dominated fashions among upper classes until, in England, local interests pressurised the government into introducing discriminatory tariffs towards the end of the 17th Century. There took place in the 17th Century a furious competition for profitable investment in quality Indian textiles of which there were innumerable varieties and grades.[4]

The Europeans opened up new markets for Indian textiles in Asia corresponding with their own entry into the numerous networks of Asian trade. These were in addition to the traditional carriers of Indian goods to Southeast Asian and middle Eastern markets, the Hindu and Muslim merchants of India, the Armenians and Jews settled in India, the Arabs, and the Javanese and Malays who came in small numbers from Southeast Asia. In fact with the impetus of a growing European competition, Indian seafaring and overseas trade increased immensely till well into the 1680s and Indian traders took advantage of new markets created by enterprising Europeans as well as of their superior technology in ship-building and navigation. Indian participation in the Manila trade is an example of such extension into new areas. At the turn of the century, increasingly Indian traders are entering into partnerships with European 'country' traders, freighting their goods on the better European vessels and sometimes acting as front-men for the European traders and helping them in places where the Indians had good traditional relations.

The increase in the demand for Indian textiles in turn creates new opportunities for economic activity of an intermediary character between producer and exporter. The European shipper and even the Indian exporter needed to establish contact with the supply market to ensure the continuous provision of goods to the quantity and specification he required. European demand was more varied than the Indian as he required goods for the home market in Europe, in addition to the different types of Asian markets from the middle East to the Far East. He required particular types of prints, textures and designs, of particular length and breadth, to attract his varied customers. Above all he wanted goods in readiness for the ships that called according to schedule. This was important for the two large East India Companies, the

4 For an idea of these developments in the Coromandel area, see T. Raychudhuri, *Jan Company in Coromandel,* The Hague, 1962, passim, especially pp. 130 - 155.

English and the Dutch, whose ships were engaged in a regulated and scheduled sailing in Asian waters and had to be put to maximum utilization.

The Indian method of relationship between producer and exporter was the brokerage system. A group of merchants, generally, but not exclusively, belonging to the traditional merchant castes, functioned as brokers. They took the orders from the exporter and went into the producing villages, sometimes many miles into the interior, where they shared out the quantities required among the weavers, painters, dyers and bleachers. As the quantities involved were large, they had to put out a certain amount of advance capital which the producers would use to buy cotton, indigo and the many other smaller articles that went into the making of cloth as well as construct looms, keep them in repair and hire labour. These weavers and others were self-employed, working in their own homes and villages, and the brokers kept a strict watch on their work after they had made capital advances. The brokers themselves received some advances from the European companies, but these were small, being usually not more than a tenth of the total cost of the order, as these Companies wanted to be secure against bad debts to people over whom they had little or no control. In any case, throughout the 17th Century the credit-worthiness of Indian merchants was high and they were able to put up the necessary funds to meet large demands.[5]

Thus a band of the Indian mercantile class was able to enter into a mutually beneficial working relationship with European traders. The records of all the Chartered Companies, English, Dutch, French and Danish, are replete with evidence of the intermediary role of these merchant-brokers. Many of them in the early part of our period themselves engaged in seafaring but later there takes place a specialization of functions. It is found increasingly difficult to compete with European merchants with their more voluminous vessels, less dependent on the vagaries of the weather. Thus many of the Indian merchants at the turn of the 17th Century tend to abandon at least the long distance voyages to Southeast Asia and concentrate on brokerage functions.

[5] For a detailed study of the role of these merchants see A.D. Das Gupta, *Malabar in Asian trade 1740 - 1800,* Cambridge 1967, Chap. 4. The Medieval Indian Merchants circa 1700, and S. Arasaratnam, Aspects of the Role and Activities of South Indian Merchants, circa 1700, *Proceedings of the First International Conference - Seminar of Tamil Studies,* Vol. 1, Kuala Lumpur 1968, pp. 582 - 596.

Till well into the 17th Century a number of Indian vessels used to sail from Surat, Calicut and Cochin in western India, and Calcutta, Masulipatnam, Porto Novo and Nagapatnam in eastern India to the Burmese and Thai coast, the Western Malay states, the Sumatran coast, the ports of north Java and Borneo. Partly because of the increasing control of the Dutch East India Company over many ports of Southeast Asia and partly because of the increasing opportunities created by European investment in India, these merchants switch to functions of broker and commission agent. Besides the supply of export items to the Europeans, there was also the wholesale purchase of articles of import, predominant among them being spices, copper, iron and other metals, and bullion.

Thus there takes place a gravitation of merchants and indigenous mercantile activity to the main settlements of the Europeans or to the ports they frequented. Surat, perhaps the most important concentration of trading activity in this period, being the meeting point of the three trading systems of the Middle East, South Asia and Southeast Asia, had, during the entire period, a flourishing community of Muslim Bhora merchants, some of fabulous wealth with total assets each upwards of 5 to 6 million Rupees. They were the chief suppliers of the English and the Dutch Companies that invested a large capital in textiles. Surat was besides a favourite port of call of the 'country' captain, the adventurous European freeman sailing the nooks and corners of Asian waters in search of a good bargain.[6] In Malabar there were the Hindu Konkanis and coast Muslims (Moplahs), noted for their audacity at sea, the Malabar Jews and Hindu Chettys - all competing for the business of the Dutch, the English and later the French. The Jews were by far the wealthiest merchants here and were particularly close to the Dutch, settled as they were in Cochin that was captured by the Dutch in 1663. The merchants of the west coast of India appear to have carried on sea-borne trade for longer than their counterparts in the east both to west Asia and even to Southeast Asia where we continue to hear of the Gujerati (Surat) trader in the 18th century. Their continuing presence in the west Asia trade could be explained by the geographic proximity but more so by the fact that European domination of west Asian trade was not as overwhelming as over Southeast and East Asian trade.

[6] For a perceptive account of the merchants of Surat, see A.K. Das Gupta, The Merchants of Surat c.1700 - 1750, in Leach and Mukherjee, *Elites in South Asia,* Cambridge 1970, pp. 201 - 222.

In Coromandel and Madura there were the coast Muslims (Chulias), Tamil and Telugu Chettys and other castes and Armenians settled in Madras. This extensive coastline running into about 900 miles is an important area for the production of, and trade in, textiles. Along a thin strip of hinterland are scattered weavers' villages with an abundant growth of cotton and communities of weavers. Their productive capacity was tapped to the fullest in this period largely through the exertions of these merchant brokers. Appropriately, the coast was also littered with European trading settlements, every European trading nation in the east having at least one major settlement on this coast, some of them a good many more. The merchants of this coast were not as wealthy as those of the west coast which seems somewhat puzzling considering the fact that in the pre-European era they were the prominent traders to Southeast Asia and the Far East. They had held influential positions in the commercial administration of many Southeast Asian states but after the 17th Century this does not happen any more. Perhaps the political circumstances related to the last years of the Vijayanagar Empire have something to do with this. The coast Muslims (Chulias) are, however, remarkably persistent, continuing to hold on, if only on a much reduced scale, till the end of the 18th Century. Francis Light, when he settled on Penang, noted a steady Chulia Muslim trade with Kedah.

Finally, in Bengal, from the coastal ports on the estuary of the Ganges and its tributaries up the rivers, which were navigable, into the interior of the province was another very important centre of production, specializing in varieties of fine textiles, manufacture of silk and of processed foodstuffs. The merchants here were Bengalee Hindus and Muslims, some of whom were very wealthy and were engaged in oceanic commerce in large vessels. They too benefitted from the connections with the English, the Dutch and the Danes and, as in the case of Coromandel, there is noted a decline of participation in overseas trade and concentration on brokerage, agency business and money-lending. As this was the first area that saw the establishment of English political dominion in the mid-18th Century, these merchants soon entered into a continuing and permanent relationship with them.

In contrast to this picture, we do not have evidence of a fruitful inter-relation of indigenous merchants with the European new-comers in Southeast Asian marts. This could not be because of the absence of a merchant middle class between the ruler and the nobility, and the common folk. There is every evidence of the existence of such a class in the Malacca Sultanate, the Sultanate of Acheh, the other minor coastal kingdoms of Sumatra, the Bugis traders of the Celebes and, most important of all, the Javanese merchants who were so active in Southeast Asian trade during and prior to the Malacca period. It might not be proper to refer to these traders as representing a *middle* class in the sense of being a group independent of the nobility and the commoners. Unlike their counterparts in India, these appear to have had close ties with nobility and, in the absence of biographical knowledge of a representative number among them, it is difficult to establish whether they sprang from the ruling nobility or were admitted into noble families after they had made good in trade, as were a number of South Indian Muslim and Gujerati traders of Southeast Asia. We can only speculate on the probable causes for their weakness as the story of the decline of the Malay and Javanese trade, with reference to specific trading communities and families, is yet to be told. Because of the destruction of the major trading marts of Southeast Asia such as Malacca, Acheh, Macassar, Bantam and Grisek, European and other traders from outside the region tended to proceed to local ports in search of their needs in the absence of recognised entrepots. This reduced the opportunities for an extensive carrying trade within the region, as had existed in the Srivijayan, Majapahit and Malacca periods, and in which the regional traders could have played the most profitable role.

In the so-called Indian and Arab periods of Southeast Asian trade the indigenous trader had profitably performed this function and had even ventured out westwards to India and the middle East. Where the foreign trader was now proceeding to localised trading centres, nearer the sources of production, this provided scope for business only of the small scale type, the coastal trader, the pedlar and the hawker. The major items of Southeast Asian trade, pepper and spices, had been taken away from the native trader's ship and had become articles of direct transaction between the producers and their chiefs or rulers and the exporter. Thus in many districts, the ruler emerges more forcefully in this period as buyer, a feature that is not prevalent in the pre-European period. This new pattern of trading is epitomised in the exclusive or monopoly contracts entered into between the Dutch East India Company and several Malay, Javanese, Celebes and Moluccan rulers, the effects of which was to shut out the Southeast Asian trader from seaborne commerce. This point is further reinforced when it is noted that only in those regions outside the operation of such monopoly contracts is there a continuing limited inter-relation between the foreign and the local trader. The English, who would have preferred to have operated under the previous open trading system, continued to have fruitful trading with the indigenous Bugis traders till well into the 18th Century. And the Portuguese continued the good relations they had built up with the Malay and Bugis traders even after the fall of Malacca until they were expelled from the eastern part of the Archipelago in the 1660s. While it is interesting to note that the Dutch turned increasingly to rely on the Chinese merchants and middlemen.

While thus in both South and Southeast Asia the indigenous merchants eventually did suffer a devaluation in their role and status, their weakening and final destruction was stronger in the case of Southeast Asia. In South Asia their share of seaborne trade declined progressively till they were almost totally wiped out as exporters in the first decades of the 18th Century, but they switched functions and attached themselves to Europeans and managed to survive longer in subordinate roles. In this position they were never totally wiped out at least in certain parts of India where they continued as financiers, rent farmers and tax collectors of the English. With the decline of the textile trade and the switch in the character of the Europe/India trade towards the end of our period, their role as brokers declined considerably. With the eclipse of the rival Companies and the competitive buying they had engaged in, these merchants lost their bargaining positions. In any case, due to political reasons they had lost their liquid assets and their credit-worthiness. Many of them were in debt and others forced into bankruptcy. In Java when Governor General Imhoff decided to liberalise part of the regional trade and hand over to private trade some of the articles of the Dutch monopoly in 1747, there were no Javanese merchants to take advantage of this. So complete had been the destruction of Javanese enterprise.

It is pertinent to inquire into the reasons for this easy demise of indigenous trading enterprise that had once been responsible for the entire regional as well as the inter-regional trade of Asia. In order to appreciate the full impact of this process one should note that for a long time into the period of European penetration, Asian traders had held their own and been in every way a match to the large European concerns. The Portuguese, after a few initial attempts, ceased all hostility against the Asian trading systems. Throughout the 16th Century, South and Southeast Asian traders carried on and even increased in strength. They faced the challenge of the 17th Century even better and throve on competition. They were able to undersell

European traders in open markets, crept into every nook and corner of Asian trade and exploited it to the fullest. This was the great century of the inter-Asian trade with all regions showing increased turnovers. The rise successively of Acheh and Johore in the Straits of Malacca, the continuing and increased trade of Macassar, Grisek and Bantam, and the rise and fall of many other minor coastal kingdoms of Sumatra correspond closely to the movement of the Southeast Asian link in the inter-Asian trade in its efforts to break the Dutch strangle-hold. By the 1680s both the English and the Dutch were complaining bitterly that they could not compete against indigenous Asian traders who were flooding markets, underselling and moving about everywhere. The Dutch in particular complained at the propensity of Asian potentates to insist on free commerce and open seas, forgetting the principles of Grotius and their own recent history of struggle against the Iberian monopoly.

If one were to look closely at these merchants, especially in India where we have more evidence than elsewhere to study personal careers and follow up individual case histories, one would be struck by the lack of continuity and longevity in their operations. Great and powerful merchants strut the scene, dominating trade and investment, but disappear quickly and are unheard of in a few years' time. Others may last a full life's career but their children or grandchildren are seen to wallow in poverty and debt. Very seldom, perhaps among the Bohras of Surat, do we hear of a great family with a continuous tradition of mercantile activity and a long history of affluence through trade. This absence of continuity hindered the growth of a strong merchant power base in a state, as happened successfully in western Europe in the early modern period. There is abundant evidence from every trading region of the impotency of merchant groups when confronted with royal power.

Another weakness of southern Asian trading was the high degree of individualism among its merchants. Trading methods were such as to promote individual trading even when a few merchants got together to own or freight a vessel. Even members of the same family would trade separately. Shares of the cargo space would be allotted to each partner who would trade on his own as would others who owned cargo space. An attorney of the share-holders or one of the share-holders himself would sometimes sail on the vessel and act on behalf of the owners of the cargo, but always treating each share separately and calculating thus the profit and loss on it. Very often the *nachoda* or captain would have authority to carry on trading activities. Meilink-Roelofsz characterises this as the *commenda* system of trading but is quick to point out that this did not develop into the *societas maris* of the European type with a common capital fund and common risks.[7] All this appears strange considering the tradition of medieval merchant corporations of southern India with their wide ramifications and intricate network of inter-relationships in many parts of South and Southeast Asia. The complex methods of accounting that must have been followed by these corporations appear to have been lost to merchant society of that time or at least were not followed. The Europeans were confronted with a number of individual operators competing against each other using whatever resources were available to each. While European traders could with advantage compete with such traders in respect of overseas trade, they found it irksome when it came to making purchases in the local markets. Intermediary merchants tended to outbid each other, putting prices up and were unable to make large capital advances working on their own. Because of this, the English and the Dutch in the 17th Century initiated attempts to bring Indian merchants together in joint-stock partnerships so that a large capital fund with shares from participating merchants could be formed which could be invested to purchase goods. It obviated the need for the European Company to make an initial advance and avoided competitive bidding and ensured cloth of good and standard quality.

It is interesting to see how these two Companies nurtured and fathered these Indian merchant partnerships. The Dutch records provide ample evidence of these operations. Prior to negotiating with merchants over the year's orders, the Company's officials in any factory would call together the leading merchants and persuade them to form themselves into a company. Such a company would deal with a particular commodity of trade for one year. In the formation of these companies, attention had to be paid to the prestige and standing of each of them in the country, and to whether they could get on well with each other. In places where caste rivalries abounded among Indian merchants it was seen to that they belonged to the same or to allied castes. Thus in southern India where there was a major vertical social division between Right Hand castes and Left Hand castes, you could not mix these two in the same company. Shares were allotted to the members in blocks of Rs.500. All the capital had to be subscribed by

[7] M.A.P. Meilink-Roelofsz, *Asian Trade and European Influence in the Indonesian Archipelago,* The Hague, 1962, pp. 54 - 55.

those who bought the shares and the total fund became the capital of the company. This ranged to anything from Rs.20,000 to Rs.600,000. There was a small committee consisting of the persons with the largest number of shares running the affairs of the Company. Because the funds could be used only for one annual investment, the accounting procedure was simple. But even here the European officials had to assist in settling the accounts of the transaction. Account books were open to his inspection and the balancing of the books after a transaction was done in his presence. All payments after calculation of profit and loss had to be done in his presence, a deed or *ola* of settlement drawn up signed by all the participants and deposited in the European factory. Many such deeds are extant in the archives of the two Companies. Without such supervision, and sometimes even with it, the Indian company's affairs broke up in confusion and disorder.[8]

Thus it was a basic weakness among southern Asian traders that they did not develop a system that would make possible combined trading activity and subsume risks on a continuing basis for any length of time. This point strikes us further when we compare the enormous strides in commercial organization taken in Europe in the 17th Century. The evolution of the permanent joint stock system was a major factor in the enhanced overseas trading operations and success of first the Dutch and then the English nation. Their attempts to promote such combinations among Asian merchants is seen as the first example of imparting techniques of commercial organisation. In fact, they preferred to deal with such associations than with individual merchants. By the end of the 17th Century both the Dutch and the English made a substantial part of their investment through these companies. Under their influence such companies flourished in Coromandel, Malabar and to a less extent in Bengal, but not in Gujerat, in the late 17th and early 18th Centuries. But the practice did not catch on and with the decline of a competing European demand for Indian goods these merchant combinations also declined.

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An important factor that has to be taken into account in outlining the fortunes of southern Asian commerce is the attitude and the policy of the rulers of Asian states. The two regions were replete with

[8] These merchant associations are described in S. Arasaratnam, India merchants and their trading methods, *Indian Economic and Social History Review,* Vol. II, No. 4 (1966).

states that controlled various parts of the sea coast and therefore had an intrinsic interest in seaborne trade. For large land-oriented states like the Moghul Empire, the Burmese and Thai Kingdoms and Mataram, commerce was not central to the survival of the state. Yet all these rulers were fully conscious of the economic importance of a brisk traffic to and from their ports and did everything to promote this. There were numerous other states such as Calicut, Acheh, Bantam and Gowa which were trading principalities primarily, with commerce as a key instrument of state policy. The specific policies pursued by these rulers to foster commerce varied. Some sought strength in complete free trade, with little or no tariffs and expected the large turnover in trade to bring prosperity to their subjects and to themselves. Others kept trade scrupulously free but subjected it to fairly substantial tariffs which were the major income of the state. Yet others took refuge in monopoly, either of the entire trade or of some selected lucrative commodities.

It would not be fair to the Dutch to say that it was they who introduced the idea of a monopolistic commerce into the region. Though no ruler of South or Southwest Asia is known to have declared a general monopoly of all the commerce that passed through his land, there are instances of state monopoly of particular commodities. In the Sinhalese kingdom of Southeast Ceylon, right from the time of the heavy Arab participation in the 17th Century up till its loss of political power to the Portuguese in the 16th, cinnamon, a lucrative article of trade, was a royal monopoly. It was gathered and processed on the king's orders by service labour, stocked in royal warehouses and sold by his officials to the Arab shippers. Likewise, in the south Indian kingdom of Tanjore, the considerable rice exports of the country were, at least in the 17th Century, a royal monopoly. In Southeast Asia it does not appear that pepper was at any time a total royal monopoly, that is to the extent of the ruler expropriating all the produce and trading in it on his own behalf. But it does appear that the manner in which it was collected internally made monopoly possible and effective in practice. All the pepper had to be delivered by the peasants to their feudal land regents who in turn delivered it to the Sultan or traded in it on their own with his permission. In any case, the Sultan (as was certain for example in the case of Acheh) had the right of preemption over any of the trading commodities and only after his needs were satisfied was free trade possible. Sultan Iskander Muda's (1607-1636) regulations over the pepper trade were primarily intended to centralise the export of this commodity through the main port of Acheh and to subject all traders to a licensing system ensuring the proper collection of dues. The classic case of the declaration of a general monopoly of trade is that of the expanding kingdom of Travancore in south Malabar in the mid-18th Century. Here the dynamic ruler Martanda Varma (1729-1758) took control of the export trade in pepper in his dominions in 1743, made merchants who had handled it earlier into state officials, fixed prices and established what may be termed an 18th Century version of a state trading corporation.

It will be noted that such monopolies were not the general rule and were declared only in cases where one single commodity dominated the trade. It would have been impossible to do so in a multi-sided trade as the Dutch were to realise to their cost in Malacca and elsewhere in the 17th Century. Even where the monopoly embraced one single commodity, it would be effective only where the productive process for it was such as to render possible the expropriation of the entire product at the source itself. Thus the Ceylon monopoly of cinnamon and the control over pepper in the small west Sumatran states was pretty effective. In all other cases, monopolies, wherever they were declared, were not particularly effective.

Generally, however, the commercial policy of the southern Asian rulers was one of free trade and open seas. This was essential, considering the multitude of articles it took in and the wide geographic area it embraced. Wherever rulers themselves or their agents participated in trade they did so in competition with others. The Moghul Emperors, their provincial governors, the Sultans of Kedah and Acheh, the Sultans of Gowa are all reported as owning or chartering ships to carry on trade for themselves. Their ships are reported in a number of ports in both South and Southeast Asia. Sometimes they had shares in private vessels and merchants dealt with them just as they would in the normal way. The growth at various periods of Malacca, Acheh, Macassar and Rhio are explained only in terms of such policies. The system of monopoly contracts that the Dutch virtually forced on many Asian rulers thus went against the grain of traditional state commercial policy. In a few cases they voluntarily signed such treaties, without realising their implications, in the expectation of military and naval support which was often not forthcoming. In others the treaties were forced upon the rulers after defeat in war or under compulsion of a naval blockade. But in almost all these cases the ruler did not feel obliged to stick to the terms of a treaty which was so much against his interests. And such treaties had invariably to be enforced with military and naval power and led to the decline of the trade as well as of the state. The rulers put up energetic struggles against Dutch monopoly, encouraging smuggling, piracy and opening new marts when old ones were closed. In almost all the states of South and Southeast Asia with which the Dutch entered into monopoly contracts, there is seen a pattern of resistance, using substantially the same tactics, to Dutch efforts to enforce the monopoly, once its implications are realised and its effects beginning to be felt. In this resistance, rulers, chiefs, local and foreign traders, producers, all join in with the one common purpose of breaking the monopoly. This is a history that repeats itself with monotonous regularity in this entire region throughout the 17th Century.

Fortunately they had the competitive trade of other European rivals to fall back upon, particularly the English, who, like the rulers, refused to accept Dutch declarations of monopoly. Thus a community of interests developed between the English and the local rulers in some areas who encourage them to come into the trade and even settle in their territories. Wherever the English maintained a presence the rulers were able to break the Dutch monopoly. Thus in Malabar, the English were able to render ineffective Dutch attempts to secure a pepper monopoly. In north-western Malaya they were able to prevent a Dutch monopoly of tin by dealing with Kedah, Bangeri and Ujang Selang. The situation regarding Sumatran pepper trade was different. With the decline of the kingdoms of Sumatra and the extension of Dutch control over the pepper of the east coast, the English from Benkoolen extended their sway over the west coast and monopolised the pepper there by a series of contracts in the style of the Dutch with local rulers. Where the English presence was not felt such as in Ceylon, Madura, Tanjore, the Celebes, the Moluccas and Java, Dutch hold on trade was complete and the rulers were rendered ineffective in commerce.

The rulers set up efficient bureaucratic organisations to administer commerce. The commercial administration of Malacca has been made famous by Tome Pires. Similar machinery, perhaps on a less elaborate scale, existed in almost every one of the trading states. In South Asia the commercial bureaucracy was subordinate to the general state administration and this sometimes led to abuses being commited, particularly in the period of declining central authority. This does not appear to have been the case in Southeast Asia where the running of the affairs of the port seems to have been pretty autonomous and less subject to the arbitrary powers of state officials. Representatives of foreign merchants who frequented the port and contributed to its business were associated in its administration, a measure which contributed to the creation of healthy conditions for trade and commercial transactions.

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What is known as the traditional trade of Asia dates from pre-Christian centuries and has been subject to periodic changes.[9] These changes have been dictated by changing political conditions over the enormous region it engulfs from west Asia to the Far East. All lands in the southern mass of the Asian continent and the adjacent islands washed by the warm waters of the Arabian Sea, Indian Ocean and the South China Seas have come into this net-work of inter-connected systems. It has been dependent on the political situation of the Turkish and Arab lands, of Persia, the Indian sub-continent, mainland and insular Southeast Asia and the Chinese Empire and Japanese islands. In the period we are considering the major events that have influenced this trade have been the weakening and near break-up of the Moghul Empire, the overthrow of the Safavi dynasty in Persia, the decline of the Malay Sultanates of the Malacca Straits, the decline of the Javanese kingdoms and the replacement of the Ming by the Ch'ing dynasty in China. Each of these events had its repercussions on the pattern of Asian trade and some of them weakened it immeasurably but it adapted itself to the changes and showed resilience.

What is referred to in totality as the Asian trade consisted of many inter-locking regional trading systems contributing to the exchange of goods within the region as well as to the export of surplus goods from one region to another. In South Asia there were at least four major regions on the Indian mainland noted above as the areas of concentration of the merchant groups. The island of Ceylon to the south had its own relation with each of the four groups but more closely with Coromandel and Bengal. In Southeast Asia there were far more of these regions with less concentration because of the sparsity of population and relative weakness of political structures. Perhaps the most fascinating network was that linking South and and Southeast Asia. In fact the Bay of Bengal became in this period one of the most heavily sailed oceanic waters and the trade between

[9] For a general survey of the traditional trade of Asia, see C.G.F. Simkin, *The Traditional Trade of Asia,* O.U.P., London, 1968.

the countries lying on its eastern and western shores linked them closely into a commercial unit. Primary produce and manufactures of the two regions are exchanged with regularity and there is a dependence on each other's markets which affected prices and supplies. This is of course nothing new but in the 17th and 18th Centuries this interdependence is vastly enhanced by European participation in the Bay of Bengal trade.

The commodities that this commerce embraced were articles of everyday use and the quantities involved were substantial. Though vessels were not large, there were so many of them that the net tonnage transported was big. Thus rice was a major article of trade both within each of the regions of South Asia and of Southeast Asia and from South to Southeast Asia and vice versa. It flowed both ways, depending on supply and prices at either end. There were a number of other processed foodstuffs and of course there were textiles. Timber constituted another bulky item and minerals in varying quantities. The trade thus took in considerably more than the spices, aromatics and other exotic and luxury goods eastern trade generally represents.

The Europeans did nothing to significantly alter this trade pattern except towards the very end of our period. They merely contributed to shifting its centres. With the Portuguese conquest of Malacca other rival centres are established in the Straits, just as with their and later Dutch conquest of Cochin and Tuticorin, many other country ports in the area assume importance. The most successful European trading nation was that which successfully manipulated Asian trade and the classic example of this was the English. By giving relative freedom to their officials, and, still more, by permitting private individual Englishmen to settle and trade in the East, they were able to get into the maze of Asian trade from early on. In this way, when towards the middle of the 18th Century, due to a combination of political and economic factors, a decline in Asian participation in this trade had begun, it was the English who took the biggest share of the trade. Madras and Calcutta became major ports in the trade to Southeast Asia and the Far East, supplanting other native ports and powerful 'country' merchants and agency houses came into being.[10] It was these interests that were behind the search for a port of call in or around the Malacca Straits and out of this search resulted the founding first of Penang, and then of Singapore.

[10] The best discussion of the English country trade is to be found in H. Furber, *John Company at work*, Harvard University Press, 1951, pp. 160 - 190.

The Dutch too sought to participate intensively in this inter-Asian trade but as a Company, not as individuals. And they sought wherever possible the way of monopoly and domination rather than of competition. The Dutch error of judgement in its monopolistic commercial policies was to attempt to force a trade which by its very nature could not be forced. The monopoly of the spices of Amboina, the cinnamon of Ceylon and the pepper of Bantam and the Lampongs were attainable aims and were successfully achieved. But when this was extended to the textiles, the rice trade, the tin trade and the trade in innumerable other commodities in Malacca, in Celebes, in Java, in Ceylon and in every other place where they achieved political power, it was bound to fail. These were commodities that had diverse sources of supply and many points of distribution. Besides, consumption and demand depended so much on prices which could not be fixed arbitrarily. The upshot was that these places which were once flourishing links in the inter-Asian trading system now dropped out of that link and became pale shadows of their prior commercial eminence. This could be illustrated with reference to any number of examples but it is relevant here perhaps to quote that of Java. Javanese traders had been the link that joined the spice islands of the eastern end of the archipelago with the centre and the east and eventually with South Asia. The spices and pepper provided a medium of exchange in the barter trade involving rice and cloth that they carried on. With the withdrawal of spices and pepper from the cycle of free trade their role became redundant and they disappeared from the scene. Thus the Dutch, while not achieving their aim of a complete monopoly of trade in the major articles, nevertheless did succeed in diminishing the scope and functions of Asian commerce. Large areas of South and Southeast Asia were drawn by their policies outside the trading net-work and drafted into a separate monopoly system of their own.[11] Every now and then there were Dutch officials who saw the destructive course of Dutch commercial policy and spoke out against it. They argued for a liberalisation of the Company's Asian trade and for the admission of non-official Dutchmen to trade in the East in the manner of the English. But these were ineffective against the abiding faith of the Company's Directors on exclusive monopolies and restrictive trading.

[11] For a contemporary critique of the Dutch monopoly system, see J.E. Heeres, De Consideratien van Imhoff, *Bijdragen tot de taal-land-en Volkenkunde van Nederlandsch Indie,* Vol. LXVI.

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The impact of commerce on the general economic situation is difficult to establish in the absence of concrete evidence on the latter. All the large and many of the small states in the region were agriculture based economies, yet deriving significant supplementary benefits from commerce. There were also a number of trading principalities, based on well-known port-cities whose sole subsistence was commerce. Such principalities were the earliest to be Islamised. In many regions of the area of Southern Asia we are considering there was production for export. Rice, textiles, pepper, spices, and tin are outstanding examples. These were followed in the 18th Century by coffee, sugar and opium. One could well ask why it was that despite an increased demand for all these commodities from the 17th Century and a steady increase in price, there was no development in productive processes by the improvement of techniques and other innovations. Economic historians of India have increasingly addressed themselves to this question, particularly in relation to the textile industry in which, if not in any other sector, one might reasonably have expected a take-off into higher forms of production.[12]

The explanations offered for non-development are both economic and non-economic and are of relevance to Southeast Asia as well. In the first place, as between producer, middleman and exporter there was a sharp division which could not be eliminated. Exporters or even brokers had no means of exercising control over producers and could not invest directly in production. The producers were self-employed and nurtured their independence jealously to the point of closing up and migrating to other villages if excessive demands were made or changes contrary to traditional practices were forced on them. Secondly the producers themselves did not have the means of directing the volume and price of the products or of producing independently of purchasers and selling directly to them. This prevented the likelihood of any expanded production by the producer acting on his own and taking advantage of market condition. Both these factors are applicable to the production of export commodities in Southeast Asia as well. Thirdly, despite the fact that large amounts of capital were flowing into the region, it did not result in productive investment owing to unstable

[12] See for example. T. Raychaudhuri, A. Reinterpretation of 19th Century Indian Economic History, *Indian Economic and Social History Review*, Vol. 5, No. 1 (1968), pp. 81 ff.

political conditions, peculiar methods of saving and considerable wasteful consumption. In militaristic states which proliferated in South Asia with the break-up of the Moghul Empire, a good share of the country's wealth was spent on the maintenance of an armed force. Then there was the conspicuous consumption of the princely and noble classes which siphoned off much of the increased wealth. They made regular demands on the merchant classes and preyed on them at need to support their high standards of living. With unstable political conditions in the 18th Century, gold began increasingly to be looked upon as savings and a large part of this treasure went underground. Thus merchants did not dare to expose the full value of their wealth and they as well as other classes literally buried treasure in their backyards.[13]

Merchant capital, of which there was in abundance, was not given a chance to develop into industrial capital largely because the necessary conditions and the institutional factors were not present to facilitate this development. While in Europe commercial interest groups were politically on the ascendant from the 16th Century onwards and state policies were designed to support and promote their growth, in virtually no southern Asian state did the merchant class have such political ascendancy as to influence state policy. The Bugis after the fall of Macassar were perhaps an exception to this and theirs is an example of Southeast Asian practice of mercantilist policies where commerce became an instrument of state policy. But they were more rulers who took to trade than traders who took to ruling. Their activities took the character of mobile military, naval and commercial power and though they maintained their connection with home bases the effects of their commercial ascendancy did not seep into their domestic society to produce significant economic developments.

The economic situation presents a picture of dualism somewhat similar to the dualistic economies of much of the developing world today. In all states participating in foreign trade, there was a sector of the economy that was tied in with the international market, with commodity production for export and a market for imported goods. Money was the medium of exchange and especially in South Asia there was a sophisticated system of banking and insurance. The *saraf* or money-changer was an important figure in Asian trade. In the 17th Century the system of bills of exchange came into vogue in many ports,

[13] Some of these points are critically considered in Irfan Habib, Potentialities of capitalistic development in the economy of Moghul India, *Journal of Economic History*, Vol. XXIX, No. 1 (1969).

dispensing with the need to carry large sums of money around. But this monetised economy did not extend much beyond the port or the city. In the hinterland was the wide area of non-monetised or only partially monetised sector which existed unaffected by all this brisk commercial activity. The Sultanates of Malacca and Acheh, the kingdoms of Cochin and Calicut, the Subahs of Gujerat, Coromandel and Bengal are all classic examples of this dualism. In the non-commercialised sector, the circulation of money was poor. Small change, usually copper coins, were sufficient to attend to the people's needs and large denominations current in the overseas trading sector such as the silver Real, Dollar and Rupee and gold Pagoda did not penetrate there. Even where the produce of the non-commercialised sector came to the market it was paid for in goods or, because of the small-holding type of production, in small change. The population of this sector had little or no need for goods from outside. Thus the relationship between port-city and country was a tributary relationship, a one-way flow of goods and services which accounts for the huge profits amassed by all parties engaged in overseas trading at the expense of the producers. This is the reason why despite the increasing volume of overseas trading, large parts of the country were unaffected and no significant social change is recorded.

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By the end of the 18th Century, European hold on much of the inter-Asian trade is complete. At least they had expropriated the most lucrative sections of this commerce by political and naval dominance as in the case of the Dutch in the Archipelago or the English in Bengal and Carnatic and by superiority in capital and shipping resources and continuity in operations. The English virtually became the sole exporters of textiles to Southeast Asia and of opium from Bengal. All over India the merchant was reported to be in a pitiable plight. With territorial expansion and control over weaving villages, the English had no more need for Indian brokers. Many of them took office under the Company as paid servants: gumasthas (clerks) and dubashes (interpreters). They survived somewhat longer on the western coast of India where they continued to carry on the trade to the middle east. The Chulias persisted with the trade to western Malay states. In the Dutch-controlled areas the destruction of Asian trade was more complete. Whatever market there was for imported goods had been killed. While Javanese had once purchased many varieties of fine Indian textiles, now there was a revival in the production of coarse cloth in the island, in the face of the Dutch monopoly. The demand for imported textiles had been virtually throttled by the impoverishment of the people. The introduction of price controlled cultures killed any incentive for expanded production.[14]

In the major European settlements, however, there was some prosperity. These were the centres of the trade to Europe and to other parts of Asia. Batavia, Penang, Colombo, Cochin, Bombay, Madras, Calcutta were among the places that flourished. Whatever indigenous merchant groups that were left over gravitated to these ports as the only remaining centres of activity. Enterprising immigrant groups too settled there to take advantage of the opportunities. These places, some of which had been under European control for upwards of two centuries, became good markets for western goods. English exports to Asia increased by 900% between 1700 and 1780.[15] The favourable balance Asia had enjoyed in the trade to Europe had been upset in many areas as also had the inter-Asian trade in many of its elements. The pattern of Asian trade had been completely transformed.

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It is hoped that it has been possible to demonstrate the major characteristics of southern Asian trade and to highlight the main changes it has been subject to in the two centuries under review. The survey has been panoramic and has been replete with generalisations and over-simplification. This has been done intentionally to see whether individual and apparently disparate happenings cannot be viewed as part of a pattern and with the conviction that these events are inter-connected and must be so studied. It will also be noted that this discourse has raised many questions which it has answered, if at all, only unsatisfactorily. A thorough investigation of these problems only briefly touched upon here will produce fruitful results both for South and Southeast Asian history. Particularly in Southeast Asian history, we have tended to ignore this preparatory period of economic and social changes, blinded as we have been by the avalanche of change introduced in the late 19th and 20th Centuries. A study of this period

[14] For an assessment of the effects on the Javanese economy of Dutch commercial policies see Godee Molsbergen, *Gechiedenis van Nederlandsch Indie,* Deel IV, Amsterdam 1939, pp. 43 - 45.

[15] For the dominant position of the English in the Indian trade, see H.R.C. Wright, East India Company and the Native Economy of India: The Madras Investment 1795 - 1800, *Proceedings of the Second International Conference of Economic History,* 1962, pp. 761 - 786.

could be helpful in understanding the nature of the modern changes and may help to explain the resistance to change of many sectors of our economy and society. It would help to dispense with a too rigorous adherence to tradition and modernity as acceptable categories in describing contemporary society, demonstrating the indisputable fact that the pre-modern society of these two centuries had an inner dynamic of its own.

The problems outlined above are central to the concern of the Department of History in our University. They form the constituent elements in many of our undergraduate courses and have stimulated the interest of our students and staff. It would have been noted that a student of these problems would constantly come into contact with theories of economic growth and stagnation, of international trade and investment, of monopoly and competition and of the price mechanism. Our factual data will have to be put through the discipline of statistical and quantitive methodology. There would also have to be a familiarity with theories of social change, of social stratification, of mobility and immobility among social classes and the like. He would also require a knowledge of inter-related areas and of parallel happenings in a wide variety of regions. The syllabus of the Department of History provides reasonable scope for the achievement of some of these aims. Students of Southeast Asian history have to study the histories of neighbouring societies that have impinged upon Southeast Asia in one way or another. Planning along these lines had been initiated by my two distinguished predecessors, the first two holders of the Chair of History, Professors John Bastin and Wang Gungwu, and by 1968 we had a Department of specialists in Malaysian and Southeast Asian History and of scholars teaching and researching on the histories of almost every major society that has made its contribution to the modern world. A training programme had been launched, taking advantage of the various overseas scholarship schemes, by which promising Malaysian students were acquiring proficiency abroad in one or the other of the branches of historical knowledge. With the establishment of two new Universities, with the discipline of history as an integral part of their programme, we have had to share with those Universities the pool of talent we had accumulated and that was in training. But this is a contribution we have made and will continue to make with utmost pleasure. What this means is that we should intensify and extend the production of the best scholars in historical studies, for this Department remains and will remain for a long time the major repository of historical scholarship in Malaysia. We should extend our graduate programme and provide research students with such inter-disciplinary training as is necessary for them to become better historians. In the 1960s our major contribution has been to produce graduates in history whom the Department, the University and the country could be proud of. In the 1970s let us expand our aim to the production of graduates and post-graduates who will staff the various institutions of higher education in this country and make their contribution to the writing of the history of the well-known, less known and unknown elements in the evolution of this country and region.