

## CONCEPT OF THE BORDER: NATIONS, PEOPLES AND FRONTIERS IN ASIAN HISTORY (2)

# SINGAPORE, HONG KONG AND THE END OF EMPIRE

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*As major Asian trading centres and former British colonies, Singapore and Hong Kong inevitably have parallel histories. Although their destinies diverged in the latter part of the twentieth century, comparisons between the two places are useful in developing an understanding of the historical circumstances of each city, and also in developing regional perspectives. The burden of the present article lies in three arguments. First, while the Japanese occupation is often seen as a climactic event in Asian history that destroyed the colonial world and set in motion the transition to independence, the economic policies that defined the post-war era were initiated by colonial regimes during the 1930s and continued by nationalist governments after 1945.<sup>1</sup> Second, the political trajectories followed by Singapore and Hong Kong in the first post-war decades were largely determined by unanticipated developments relating to the cold war, and did not follow logically from the situation that existed in the 1930s, or even when the war ended in August 1945. Third, while both places were seen as colonial relics in post-war Southeast Asia and had to contend with nationalist policies that were incompatible with their social make-up and business practices, efforts to assimilate them within national states were unsuccessful, and they continued to flourish as global city states.*

## SINGAPORE AND HONG KONG AS IMPERIAL PORT CITIES AND REGIONAL TRADING CENTRES

Singapore and Hong Kong were part of a series of British bases extending from Africa to eastern Asia that serviced large territories with significant prospects for trade. Typically these cities were on islands or had coastal locations that could be supplied and defended by the British navy if the need arose, and many operated as free ports. In Southeast Asia similar trading centres operated at Penang and Labuan, but neither enjoyed anything like the same degree of success. Writing in 1934, Sir William Shenton, a member of Hong Kong's Executive and Legislative Councils, suggested that Britain had been permitted by other

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1 School textbooks and some revisionist histories in Southeast Asia argue that the political and social institutions of the modern states antedate not only the Japanese Occupation but also the period of colonial rule. The Occupation is seen as an event that disrupted an ongoing historical process, and not as a lasting influence.

nations to assimilate “strategic points on the earth’s surface” precisely because the British ran them as free ports.<sup>2</sup>

In 1931 the population of Hong Kong was 849,751, and that of Singapore 559,946.<sup>3</sup> Hong Kong’s population was 97 per cent Chinese, almost entirely Cantonese drawn from neighbouring Kwangtung province. Nearly 80 per cent of Singapore’s population consisted of immigrants from southern China. Hokkien speakers, originating from Fukien (Fujian) Province near Amoy (Xiamen), were the most numerous, but there were substantial numbers of Teochew and Cantonese, and of several smaller groups, as well as *peranakan* Chinese, people long resident in the region who were of Chinese descent but had a creole culture that drew on both Chinese and local practices and beliefs. Chinese immigrants were also a major element of the population along the west coast of the Malay Peninsula as far north as Penang, but surrounding this Chinese enclave the population was made up of Malays, who differed from the Chinese in religion, language and custom, and were sometimes antagonistic to them. Legal and administrative barriers separated Hong Kong and China, but Singapore was divided from the peninsula and archipelago by ethnicity and culture.

The similarities between the two places can readily be seen. When the British created a settlement at Singapore in 1819, the island provided a point of access to the Indonesian archipelago, where Dutch authorities were limiting the activities of traders from other western countries.<sup>4</sup> Hong Kong, established in 1842, offered a point of entry into China, another vast territory that restricted foreign access. Both ports were under British administrations that insulated them from regional politics. Both were heirs to earlier trading centres and took shape within existing business networks and well-established commercial institutions. Singapore lay at the south end of the Straits of Melaka, for many centuries a major trading nexus, and its early settlers included *peranakan* Chinese merchants from Melaka and Penang who brought with them considerable trading experience and a familiarity with regional markets. Hong Kong lay at the entrance to the Pearl River delta, site of a long-established foreign trading system centring on Canton, and merchant houses based in Canton set up offices in Hong Kong, supplying the new settlement with commercial experience and trading capital. Both Singapore and Hong Kong offered safe anchorages. Singapore was outside the zones affected by severe tropical storms, and ships could lie safely in the roads, sheltered by offshore islands. Hong Kong had a deepwater harbour that could accommodate the large ocean-going vessels that serviced the China trade, and offered shelter from the typhoons that struck the south China coast.<sup>5</sup> Civil and criminal legal codes with provisions specifically oriented toward trade regulated commercial activity in both ports, and the laws were enforced by court systems with little corruption. Finally, administrations avoided interference with commercial affairs, and free port status meant ready access for all traders as well as an absence of duties.<sup>6</sup>

2 Shenton 1934, in CO 129/549/14, p. 11.

3 Population figures are from censuses taken in the two territories in 1931.

4 Singapore was established as an outpost of British India, and was under the India Office until 1867, when the Straits Settlements were transferred to the Colonial Office.

5 HKTC, Sessional Paper 3 of 1935 laid before the Legislative Council of Hong Kong, p. 72.

6 Shenton to Dodwell, encl. 2 to Pelham desp. no. 57, 5 July 1934, CO 129/549/14.

Timing was crucial to the success of Singapore and Hong Kong. The British created a trading centre at Singapore some twenty years after the demise of the monopolistic Dutch East India Company, and at a time when Dutch authorities were seeking to discourage non-Dutch trade. A decade later the Dutch introduced the notorious “Cultuurstelsel”, the Cultivation System, which turned much of the commercial agriculture and foreign trade of Java into government monopolies. Singapore catered to “country traders”, independent merchants who needed a source of commercial information as well as a wide range of trade-oriented services, such as docking and ship repair facilities, warehouses, money-changing operations, and ship chandlers. It also attracted Indonesian traders seeking to evade Dutch restrictions. The founding of Hong Kong in 1841 accompanied the forced opening of China to foreign trade, and Hong Kong provided a similar range of services to merchants trading with southern China.

Both places operated as nodal points in a multi-directional trade, assembling cargoes from their respective hinterlands for export to other parts of the world, breaking down bulk shipments of manufactured goods (such as clothing and cotton cloth, cigarettes, machinery, tinned milk, general provisions, and hardware) from industrialized countries for distribution to regional markets, and moving goods (such as rice) laterally within the region. Singapore was a major collection point for “Straits Produce”, defined by the Singapore Chamber of Commerce as “all Agricultural or Mineral Products grown or produced in the Malayan Archipelago and brought to British Malayan ports for the purpose of grading, bulking or otherwise preparing for shipment to consuming countries.”<sup>7</sup> In exchange, Singapore sent mixed cargoes of manufactured goods to Borneo, Sumatra and other parts of the archipelago, as well as the Malay States and Siam. The regional trade was largely handled by Chinese shopkeepers, who distributed imported goods and secured supplies of local produce by means of advances of cash and provisions. For the economic historian W. G. Huff, the favourable commodity prices and low transaction costs associated with this system account for Singapore’s success in the face of growing competition from other regional ports.<sup>8</sup> The development of a mining and plantation economy in the Malay Peninsula and on Banka and Billiton and Sumatra added tin, rubber, palm oil, and petroleum to the product mix, and to some extent reshaped the island’s economy as Singapore developed facilities for smelting tin, refining petroleum, and manufacturing rubber products. Singapore appointed a commission that met in 1933–34 to examine the impact of the Depression on trade, and the commissioners, writing at a time of growing economic protectionism, emphasized the importance of free trade to Singapore, and “the dangers of Government interference with the delicate machinery of the *entrepôt* trade”.<sup>9</sup>

Hong Kong also set up a commission to examine the colony’s Depression economy. Their report similarly emphasized free trade but otherwise portrayed a very different situation. Hong Kong was one of the main ports serving China, and handled a quarter of China’s overseas trade. The colony consumed less than 10 per cent of the goods it imported, and produced less than 10 per cent of what it exported.<sup>10</sup> Some 80 per cent of Hong Kong’s

7 SSTC. Vol. 1, Part II, The Import, Export and *Entrepôt* Trades, p. 42.

8 Huff 1994, pp. 93–95.

9 SSTC. Vol. 1, Part II, The Import, Export and *Entrepôt* Trades, p. 47.

10 HKTC, p. 82.

trade consisted of goods entering southern China or goods from southern China going to overseas markets. The remaining 20 per cent was an entrepôt trade with a hinterland that extended to Indochina, Siam, the Philippines and the Netherlands Indies. Like Singapore, Hong Kong was a free port, and owed much of its success to the absence of duties along with low port charges and handling costs.<sup>11</sup> According to the Commission, it was “not an economic entity even in the most restricted sense of the word”, but rather “a portion of China from which it is separated by political barriers” and a tariff wall.<sup>12</sup> The “social and financial associations” of the Hong Kong population were “almost exclusively with their brethren in the Kwang Tung Province”.<sup>13</sup> While trade with other places was significant, “the real basis of the Colony’s commercial existence is, and must continue to be, the handling of the trade of China”. The commissioners saw benefits in bringing the colony inside China’s tariff wall, a step that would “open the whole area between Hong Kong and Canton to industrial and other development on a large scale”. Alternatively, products manufactured in the colony should have free or preferential entry into China. These proposals faced resistance from Canton, and the Commission’s report noted that Canton newspapers were publishing articles that opposed placing a Customs House at Kowloon, arguing that it “would hinder the development of agriculture, industries and commerce, increase the dumping of foreign goods and end in economic bankruptcy”.<sup>14</sup>

## CHANGES IN THE TRADING ENVIRONMENT, 1850–1930

Singapore and Hong Kong owed their early success to a restrictive political and commercial environment, and in particular to limits on access to the Indonesian archipelago and to China, respectively. During the second half of the nineteenth century, administrations across Asia adopted liberal economic policies that encouraged free trade. In the Indonesian archipelago the Cultivation System with its monopolistic trading practices remained in place until 1870 but its effects were gradually vitiated after 1850, while Hong Kong was quickly joined along the China coast and in the interior by a series of treaty ports that opened the country to foreign commerce. With these changes, Singapore and Hong Kong lost their original *raison d’être* of providing access to closed markets, and the areas they served contracted to some degree. However, both ports had developed very quickly, and their efficiency and the very wide range of goods and services they offered enabled them not only to survive but also to continue to grow. According to the Singapore Trade Commission, “rapid agricultural development in adjacent territories has more than compensated for contraction in the area served and has enabled the Colony to maintain and, in certain directions, enlarge the volume of trade handled.”<sup>15</sup>

Singapore’s position as a transit centre for regional trade depended to a considerable extent on inefficient trading practices elsewhere. Small-scale producers and traders in

11 Shenton 1934, p. 6.

12 HKTC, p. 71; see also Meyer 1948, pp. 239–40.

13 HKTC, pp. 77, 79, 114.

14 HKTC, pp. 72, 79, 81.

15 SSTC, Part II Ch. 6, p. 41.

Southeast Asia needed a point of articulation with shippers, and with manufacturers and consumers at the far end of the trading system. This link was provided by agency houses, which sourced commodities, handled shipping arrangements, and provided insurance and other services.<sup>16</sup> Within the archipelago, the Cultivation System had channelled goods through tightly controlled government and quasi-government channels, and this arrangement greatly impeded development of the sort of commercial facilities offered by Singapore. As the cultivation system declined, shipping firms started to link destinations outside the region directly with secondary ports, and private financial and commercial services began to be offered in these places. By the 1890s ships called regularly at fourteen ports in the Netherlands Indies, and the use of through bills of lading allowed producers to send goods directly to buyers in Europe, America and elsewhere. By the 1930s, most of the trade formerly conducted by the so-called “Bugis Fleet”, ships from the Eastern Archipelago that once visited Singapore each year at the end of the northeast monsoon, was done in Makassar, while copra (from Pontianak and the Malay States), pepper (from Sarawak), cloves, and various products handled by the Sea and Forest Produce Guild, previously purchased by middlemen in Singapore, were generally sold directly to buyers outside the region. In the Malay Peninsula, Port Swettenham handled shipments of Malayan rubber that once would have gone through Singapore, and with the development of Sumatra’s Belawan harbour as an ocean port – a project completed in 1921 – tobacco, copra, and rubber produced on Sumatra’s East Coast, and the Burmese rice imported to feed plantation labourers there, no longer passed through Singapore or Penang.<sup>17</sup>

Hong Kong faced a comparable situation as alternative trading centres took shape in the treaty ports, and as Indochina and the Philippines developed direct shipping connections with other parts of the world, but the colony maintained its pre-eminent position in the China trade because of its established commercial networks and financial institutions, and by virtue of the fact that no other harbour between Shanghai and Indochina offered a safe anchorage for deep-draught ships. Goods for China had to be transferred from large cargo vessels onto smaller coasting ships, or else placed in warehouses, and Hong Kong offered the necessary facilities. At the end of the nineteenth century the colony’s economy rested almost entirely on its entrepôt trade with China, although trade with other countries in the region was increasing.<sup>18</sup>

For the most part, goods moved freely within southeastern Asia by the latter part of the nineteenth century. During the First World War, the British government imposed restrictions under trading with the enemy regulations, but it was understood at the time that these were temporary measures to deal with wartime conditions, and would be removed once the crisis had ended. Even then they aroused objections in the Straits Settlements, and the Governor obtained an exemption from rules that limited British trade with the Netherlands, a neutral power, on grounds that restricting trade with the Netherlands Indies would give advantages to Britain’s competitors, especially Japan, but contribute nothing to the

16 Drabble and Drake 1981.

17 SSTC, Part II Ch. 6, pp. 41–48, 93–94.

18 HKTC, pp. 72, 114; “Report of the Committee appointed by HE Sir William Robinson to Enquire into the Condition of British Trade in Hongkong”, pp. i–iii.

war effort.<sup>19</sup> On the other hand, in Hong Kong restrictions on trade with Germany and Austria benefited British merchandise because imports from these countries had been out-selling British goods in China owing to lower prices, generous credit arrangements, and a good awareness of the needs of the China market.<sup>20</sup>

Wartime restrictions were lifted as planned, but within the British Empire the 1920s brought various initiatives to provide preferential treatment for Empire goods. In 1921 the Colonial Office asked the Straits Settlements to consider introducing tariffs favouring British products, and protective duties that would encourage local industry in the Straits Settlements and Federated Malay States. A local commission created to study the proposal strongly opposed both suggestions,<sup>21</sup> and no changes were made. However, government intervention in economic affairs was becoming more frequent. A small crop in Siam in 1919 resulted in temporary controls over rice in the Straits Settlements, and during the 1920s the government of Malaya responded to poor market conditions by introducing a rubber restriction scheme that forced producers to curtail their output. Both measures had unfortunate outcomes for Singapore. The restrictions on the rice trade encouraged purchasers of Thai and Burmese rice to buy supplies directly from the producing countries rather than arrange purchases in Singapore, and the volume of rice traded in Singapore declined. For example, the amount of rice exported through the Straits Settlements to the Netherlands Indies fell from 250,000 tons in 1913 to 126,000 tons in 1933.<sup>22</sup> Moreover, once these connections were established, other trade flowed through the same channels, bypassing Singapore and Penang. The Stevenson rubber restriction scheme gave the Netherlands Indies – which did not participate – an opportunity to develop rubber production in Sumatra, but much of this rubber was traded or shipped through Singapore, and the city's overall commercial position remained strong during the 1920s. Trade with the Netherlands Indies amounted to \$49 million in 1902, exceeded \$100 million in most years after 1917, and peaked at \$397 million when rubber prices rose sharply in 1925. A decline then set in, but even at the height of the Depression, in 1933, the value of the trade still exceeded \$100 million.<sup>23</sup>

Hong Kong faced difficulties of a different sort in the 1920s. After China won tariff autonomy in 1925, the authorities there immediately increased customs duties to obtain additional revenue. Previously Hong Kong had enjoyed what amounted to mutual free trade with China, and in the words of the Hong Kong Trade Commission “was essentially as Chinese in its commercial and social relations as Shanghai or Tientsin.” The new tariff policy quickly became intertwined with economic nationalism and a desire to restrict the importation of foreign goods to benefit industrial growth within China. The tariffs were

19 CO 273/440/15375 Gov. to Sec. of State for Colonies, Tel. 31 Mar. 1916, and CO 273/451/19786, War Trade Dept, 27 Apr. 1919.

20 “Memorandum on the Import Trade of Hong Kong, with special reference to the Trade with Germany and Austria-Hungary”, Confidential Bulletin C. 19 issued by the Commercial Intelligence Branch of the Board of Trade, June 1915.

21 “Report of the Committee appointed to Enquire into Preferential Tariffs and Protective Duties in the Straits Settlements and Federated Malay States”, Straits Settlements Legislative Council Paper No. 38, 13 Dec. 1921. The Federated Malay States were Perak, Selangor, Negri Sembilan and Pahang.

22 SSTC, p. 47.

23 SSTC, pp. 48–49.

not directed against Hong Kong, but nonetheless posed a serious threat for the Colony. The Trade Commission report diplomatically stated that China increased tariffs only as a money-raising effort, but Sir William Shenton suggested that the policy of the Chinese Government “both central and provincial” was “not to benefit Hongkong at the expense of China”, and that “if it were possible to eliminate Hongkong altogether China would gladly do so.”<sup>24</sup> In the short term, the transit trade in foreign goods continued unabated, but in the long run products made in China seemed likely to displace imported manufactured goods. Moreover, the new tariffs interfered with a process of industrialization that was getting underway in Hong Kong by cutting off manufacturers in the colony from their primary markets in China.<sup>25</sup>

## SINGAPORE, HONG KONG AND THE CRISIS OF THE 1930S

Although a free trade environment generally prevailed across East and Southeast Asia until the 1930s, it was already eroding in the 1920s and major changes lay ahead, comparable in their impact to the introduction of colonial domination in the nineteenth century and far more inimical to Singapore and Hong Kong. The most dramatic developments were the expulsion of the Western colonial powers by the Japanese in 1941–42, and the post-war transfer of power to nationalist-oriented local administrations. However, the breakdown of free trade and the rise of autarkic nationalism began with government responses to the Depression. The independent national governments that took control of colonial territories after the war continued and extended policies adopted during the 1930s.

The Depression produced two very different responses on the part of colonial authorities, both disadvantageous for Singapore and to a lesser extent for Hong Kong. One involved an attempt to achieve greater unity and integration within the British Empire, and limit trade with territories outside of it. France and the United States adopted similar policies for their colonial territories, but the Netherlands, as a small European country that held a single vast colony in Southeast Asia and little else, could not follow suit. The other, based on the practicalities of trade and administration in particular colonial territories, involved measures to reduce dependency on imports and increase self-sufficiency. This approach was adopted by authorities in individual colonies in response to pressures within the British colonial system, which in practice had few mechanisms for mutual cooperation, but it foreshadowed the economic nationalism characteristic of the region after the war. The 1934 Hong Kong trade commission summed up the situation as follows:

The growth of economic nationalism throughout the world has led to a reduction of International Trade. Many goods which were formerly shipped to other parts of the world in return for the special goods of those parts, are now being manufactured in many countries, and the tendency is at present, in a great number of countries, towards an endeavour to produce their own requirements.<sup>26</sup>

24 Shenton 1934, p. 17.

25 HKTC, p. 114.

26 HKTC, p. 76.

Since Hong Kong and Singapore owed their prosperity to a global system of trade built on comparative advantage, what role if any they would have in a world of restricted trade and import substitution was very much an open question. The Hong Kong Commission felt that Hong Kong had to operate as part of China, and their report suggested various ways that political and tariff barriers might be removed. Given that the greater part of the colony's trade was with China, such a step clearly would have benefited Hong Kong traders.<sup>27</sup> For Singapore the situation was less clear. The British government was pressing for fuller integration with Malaya, but merchants in the colony strenuously resisted efforts to change the status quo, and the Straits Settlements Trade Commission opposed suggestions that Singapore join a Malayan customs union. Among other things, such a move would have made it difficult for merchants in Singapore to respond to the considerable trading opportunities in the Netherlands Indies.

## Moves toward Imperial Unity

The Depression brought substantial declines in demand for the primary commodities that made up the greater part of Southeast Asia's exports. Prices for manufactured goods (such as cloth) imported into the region also decreased, but the fall was slower and in percentage terms smaller. British and other colonial administrations responded by introducing tariffs and trade quotas, hoping to achieve two objectives. The first was to support territories within the Empire rather than give business to places outside it. The second was to limit Japanese access to Southeast Asian markets at a time when Japan's cheap labour and astute manipulation of exchange rates had brought a flood of inexpensive Japanese manufactured goods into the region.

Britain introduced its policy of Imperial Preference throughout the dominions and the colonial empire based on decisions taken at the Ottawa Conference in 1932. Some preferential duties had existed throughout the period of free trade, and from the time of the First World War measures along these lines had become more common, but there was no general policy favouring empire goods. When the Secretary of State for Colonies asked the authorities in Malaya to review their policies in this regard in 1921, he left the decision entirely in their hands. After the Ottawa Conference, however, the British government pressed more strongly for the introduction of preferential duties.

Leo Amery, the Secretary of State for Colonies in the late 1920s, saw colonial production of primary products in the tropics as complementing industrial production in the temperate zone. He told the House of Commons in 1929, "It is not very probable, or indeed, very desirable in the interests of the populations themselves, that industrial development should be unduly accelerated in their case."<sup>28</sup> Adopting this model, the Ottawa Conference divided the British Empire into three categories. As summarized by the Hong Kong Trade Commission, these were "the United Kingdom, which is the industrial centre; the Dominions and India, which export the higher classes of foodstuffs and raw materials and have also entered into the industrial field in competition to some extent with the United

27 See, for example, HKTC, p. 79.

28 *Imperial Conference 1926. Appendices to the Summary*, PP 1926, xi (Cmd 2769), and *Hansard* (Commons) 5th ser. CCVII, 1411, 30 Apr. 1929, as cited in Havinden and Meredith, 1993, pp. 169–70.



Kingdom; and the Colonies, whose main function is to export produce and whose manufactures are on the whole negligible.”<sup>29</sup> Both Singapore and Hong Kong were colonies, but neither fit this characterization.

In Singapore the scope of commercial activity had changed considerably since the early nineteenth century, when the colony handled trade from across the archipelago. In particular, Singapore’s stake in the Malay Peninsula had grown: tin and rubber from the peninsula were an important part of Singapore’s exports, and merchant houses based in Singapore had invested large sums in Malayan plantations. Nevertheless, Singapore still depended heavily on trade with other neighbouring territories – especially Borneo, Sumatra, the Riau Archipelago, Siam and Burma. Changes in tariff policies during the 1930s made it difficult for Singapore to continue to service both Malayan and regional trade. If Singapore joined a Malayan customs union, its trade with the rest of the region would suffer. However, if Singapore remained outside a customs union, its trade with the peninsula would be threatened by new tariffs in Malaya. For many years the Federated Malay States (FMS), four states that accounted for the greater part of Malaya’s exports and imports, had met their administrative expenses through taxes on opium and prostitution, along with export duties on tin and rubber. By the late 1920s the former had largely been phased out, and the depression caused a sharp decline in revenues derived from exports. Import duties offered a new and needed source of revenue, and in conformance with the decisions taken in Ottawa the FMS introduced preferential duties on a broad range of products that included cotton cloth, wines, tobacco, automobiles, canned goods, dairy products, edible oils and fats, cosmetics, bicycles, tyres and inner tubes, printing paper, and batteries. Goods from non-Empire sources could still enter Malaya but paid higher duties. For example, cotton cloth from Empire sources was taxed at 10 per cent and that from non-Empire sources at 20 per cent. For merchants in Singapore the crucial issue was how to certify British origins. Bulk shipments arrived with the necessary documentation, but much of Singapore’s business consisted of repackaging goods for regional distribution. Once bulk was broken, the national origin of particular items was no longer readily apparent, or verifiable. The new regulations could be satisfied if cloth or other goods entered the FMS in bulk, but in this case it was cheaper and less cumbersome to bypass Singapore and send shipments directly to Malayan ports.<sup>30</sup>

The Colonial Office put the Straits Settlements (Singapore, Penang and Melaka) under great pressure to accept restrictions associated with Imperial Preference, and the Governor (Sir Cecil Clementi) warned against resisting imperial trade policy for selfish reasons: “Such a separatist attitude could only be justified by proving that a free trade policy for the Straits will really be advantageous, not only to the Colony’s trade, but also to British trade as a whole. Proof of this kind has yet to be furnished. . . .”<sup>31</sup> The Straits Settlements introduced tariffs on cotton cloth, but overall managed to maintain a free trade environment.

The effect of the slump on Hong Kong is less clear because the government did not accumulate statistics for the years 1925 to 1930 that could provide a basis for comparison.

29 HKTC, p. 82.

30 For more information on this subject, see Kratoska 2001.

31 Speech of the Governor before the Straits Settlements Legislative Council, 26 Sept. 1932, CO 275/130, pp. B100-1.

Figures for 1931–34 relating to trade, wholesale prices, and government revenues all showed downward trends and confirmed what members of the Hong Kong Commission already knew from personal experience, that Hong Kong's economy was in the grip of a severe depression.<sup>32</sup> Imperial Preference had little impact on Hong Kong's transit trade because the colony's regional trading partners were not under British rule, and the colony itself was insignificant as a market. The Trade Commissioner for Hong Kong, G. C. Pelham, considered that because it had little to offer in the way of preferences, Hong Kong seemed unlikely to receive special treatment and might even face restrictions if goods manufactured there competed with the industrial output from other parts of the empire.<sup>33</sup>

A memorandum drafted for Hong Kong's Economic Commission by Sir William Shenton outlined the case against tariffs, and drew a contrast between Hong Kong and Singapore.

I can see the advantage of protective tariffs in a Colony such as Ceylon, or even in Malaya, as the circumstances are to-day, because in both cases they have a big hinterland, large natural resources and an intensive population to cater for. The position of Hongkong is vastly different: she has nothing of real permanent value, save her harbour and the basic industries already referred to in connection therewith ["Godowns, Wharves, Lighterage, Towing, Shipbuilding and Repairing, Insurance of all kinds and Banking"].

Hongkong is not a producer of any primary commodities such as iron, tin, coal, copper, silver, cotton, wool, silk, tea, rubber, oil, etc. If she were then it would be an advantage to adopt a protective tariff system, whereby industries can be built up for the purpose of using her primary commodities to advantage.<sup>34</sup>

Shenton said it could be argued that the entire Malay Peninsula had become a single entity for trade purposes, and that its interest in tin and rubber production in the peninsula placed Singapore in a different category from Hong Kong.<sup>35</sup>

This assessment was not shared in Singapore. Although it was true that the colony had become closely linked with the trade and production of the Malay Peninsula, a committee appointed in 1932 to report on the prospects for a customs union with Malaya described Singapore's interests as still "largely extra-Malayan", and argued against any measure that would reduce Singapore to a port that only served Malayan interests.<sup>36</sup> The Straits Settlements Trade Commission revisited the issue and came to the same conclusion: "The economic welfare of the Colony is more intimately bound up with the entrepôt trade than the interests of local manufacturers or importers who desire protection, and the conclusion is quite definite that the imposition of duties would not be in the interests of the Colony as

32 HKTC, pp. 74–75.

33 G. C. Pelham, "Observations on Colonial Office Miscellaneous No. 445 (Confidential)", 20 Sept. 1934, CO129/549/14.

34 Shenton 1934, p. 5. This list of industries appears in an earlier paragraph.

35 Shenton 1934, p. 11.

36 Report of the Customs Duties Committee . . . of the Straits Settlements, 1932, pp. C158, C162.

a whole.”<sup>37</sup> Subsequent research supports this judgement. W. G. Huff notes that while Singapore’s importance as a Malayan port is well known, its significance as a port serving the Netherlands Indies has received little attention. He points out that by 1925 the Dutch colony had become the main source for the three staples of Singapore trade – rubber, tin and petroleum – and for many other items as well.<sup>38</sup>

In short, Imperial Preference offered few advantages to Hong Kong, and there was little prospect that other parts of the empire would embrace the colony. However, it would have derived substantial benefits from being brought within the Chinese customs wall. Singapore likewise gained little from Imperial Preference, but the alternative of joining a Malayan customs union was not attractive.

## Moves toward Self-Sufficiency

As the free trade environment deteriorated in the 1930s, colonial administrations in Southeast Asia took steps to increase self-sufficiency and reduce their reliance on external sources for essential goods. One key commodity traded throughout the region was rice. Places such as Ceylon, the Malay Peninsula, and Sumatra’s East Coast Residency depended heavily on cheap rice from Burma, Siam and Cochinchina to feed their populations, and imported more than half of the rice they consumed. From an economic point of view the arrangement made sense because these territories exported more valuable products in order to pay for imported rice, but it left them vulnerable in three ways. First, a major crop failure in mainland Southeast Asia could create catastrophic food shortages, a point forcefully brought home by Siam’s poor rice crops in 1919–20. Second, a collapse in the market for the commodities exported by Southeast Asian colonies – as happened with rubber in the early 1920s and more generally after 1929 – could make it difficult to pay for rice purchases. Third, political disputes or a war within the region might disrupt the flow of rice. Given the very high levels of dependence on imports, failure to procure sufficient rice would have been a major catastrophe. The major political threat to the rice trade came from a possible Japanese military incursion, and as early as the 1920s British administrations began to develop contingency plans to deal with such an eventuality, looking at stockpiling rice and increases in local production. Malaya and Ceylon both built irrigation facilities and promoted the use of selected strains and better cultivation techniques to increase domestic rice production and reduce their reliance on imported food.

The move toward self-sufficiency in Southeast Asia had little effect on Hong Kong, which remained (in the enthusiastic prose of a brochure issued by Britain’s Department of Overseas Trade), “the largest centre for distributing goods emanating from the densely inhabited South China Province to all parts of the world and manufactured goods and equipment from the West destined to aid in the development of South China.”<sup>39</sup> Hong Kong relied on China for food and other necessities, and there was no prospect that the colony could ever be self-sufficient.

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37 SSTC, p. 163.

38 Huff 1994, p. 84.

39 Pelham, “Economic Conditions in Hong Kong, 1935”, p. 60.

## Industry in Singapore and Hong Kong

In both Singapore and Hong Kong members of the trade commissions expressed surprise when their investigations revealed an upsurge in industrial activity. Manufacturing remained far less significant than the *entrepôt* trade, but commission reports in both colonies paid particular attention to the subject. The Hong Kong commissioners noted that in 1896 the *entrepôt* trade was “the predominant and practically sole activity of the Colony”, and that there had been no fundamental change by 1920. They began their deliberations assuming that industry remained of minor importance, but revised this opinion when they learned that in 1934 the industrial sector employed around one-quarter of the working population.<sup>40</sup> The trade commission in Singapore observed that industrial development was “doubtless miniature when judged by European, American or Japanese standards”, but nonetheless played an important part in the economy of the colony.<sup>41</sup> Imperial preference should have offered privileged access to Empire markets for manufactured goods from Hong Kong and Singapore, but Britain and the Dominions strongly resisted initiatives in this direction.

Singapore’s principal industries manufactured rubber products and coconut oil, but there was also considerable engineering work connected with foundries and workshops on the island, and brewing would become important in the 1930s. Most of the output was consumed locally or exported to neighbouring territories. Other industries in Malaya and Singapore included:

The manufacture of aerated waters, bedsteads, biscuits, bricks and tiles, candles, cement products, cigarettes, electric torch batteries, essential oils, oxygen and acetylene and other gases, earthen ware, fertilizers and disinfectants, furniture (rattan, wood and steel), galvanised buckets and tanks, groundnut oil, ice, inks, iron pans, patent medicines, piping (earthenware and steel), planks, sago-flour, sauces and pickles, shoes, soap (and glycerine), steel trunks, sugar candy . . . , tinned pineapples, and varnishes. There are also tanneries, dye works, a motor-car assembly plant . . . and printing establishments.<sup>42</sup>

In 1933 a small group of “European” industries operated in Hong Kong, including two large dock companies that built and repaired ships, a company that manufactured cement, and a rope factory. In addition, some four hundred smaller industrial plants, most of them Chinese-owned and operated, produced a range of goods similar to those made in Singapore. The list for Hong Kong included:

aerated waters, baking and confectionery, cork and cork hats, bricks, cement and tiles, crackers, dyeing, electroplating, electric torch batteries, electric hand torches and bulbs, engineering, felt hats, feathers, furniture, flour and rice mills,

40 HKTC, pp. 80, 86, 114.

41 SSTC, p. 145.

42 SSTC, p. 146. See also “Malaya – Part I”, BMA 506/10 (Malaysian National Archives), and OSS Planning Group, Implementation Study for Strategic Services Activity in the SEAC: Malaya, 3 July 1944, NARA RG226 E136 folder 650.

glass, ink (printing), knitting and weaving, leather goods, metal wares, medicines and perfumery, mosquito and joss sticks, noodles and macaroni, preserves and canning, printing and stationery, peanut oil, rubber canvas shoes, rattan and grass rope, shorts and handkerchiefs, sugar, saw mill and box making, shipyards, soap, vermilion and white lead.<sup>43</sup>

Until the 1930s Hong Kong sold these products locally and in South China, but China increased its import duties in 1931, forcing manufacturers in Hong Kong to seek new markets.<sup>44</sup> The Trade Commission noted that apart from China the natural markets for manufactured goods from Hong Kong were in nearby countries such as the Netherlands East Indies, French Indochina, and the Philippines, but added, “the policy of national economic sufficiency adopted in those countries resulting in high protective tariffs, either excludes Hong Kong or affords it precarious, unreliable, and dwindling markets.”<sup>45</sup> Hong Kong officials anticipated that an industrial reorganization scheme then underway in China would overwhelm the colony’s small manufacturing sector, which consisted largely of home production “carried on in the ground floors of dwelling houses”. Its success was “largely artificially based on unsettled conditions in China.”<sup>46</sup> Hong Kong benefited from cheap labour that made its products highly competitive in terms of price, and preferential access to Empire markets would have given manufacturers there a substantial boost. However, it was also a place where textiles and other products originating in Japan or China might be “nationalized” and re-exported as British. For both reasons the colony’s exports faced restrictions on access to Empire markets. The Hong Kong trade commission observed that some of the Dominions seemed to view the colony as Chinese rather than British, despite efforts by the Hong Kong administration to be treated as an integral part of the Empire.<sup>47</sup>

Imperial Preference notwithstanding, the British government offered little support to manufacturing in Singapore and Hong Kong. The Hong Kong trade commission observed that locally produced goods were being excluded from certain empire markets because they were cheaper than goods produced elsewhere in the empire, something that seemed contrary to the spirit of imperial cooperation. Manufacturing was becoming important to the prosperity of the colony, and the Commission argued, “the Empire will gain more by the maintenance of Hong Kong as one of the cheapest ports in the world than by adopting a policy calculated to suppress a reasonable development of her small industries.”<sup>48</sup> The Secretary of State for Colonies wrote in 1933: “the encouragement of the development of local manufactures in the Colonies by artificial means at the expense of manufacturers in this country is undesirable except where the industry can be regarded as natural to the dependency concerned.” The Straits Settlements trade commissioners said the implication

43 Pelham, “Economic Conditions in Hongkong, 1935”, pp. 94–95.

44 Ibid.

45 HKTC, p. 85.

46 Shenton to Dodwell, encl. 2 to Pelham, desp. no. 57 of 5 July 1934, CO 129/549/14.

47 Ibid., p. 115.

48 HKTC, p. 83.

appeared to be that “Singapore may not do anything to encourage local manufactures which may develop at the expense of British imports”, and they wrote with a touch of asperity that using imported tobacco to make cigarettes for local consumption, the issue that prompted the comment from the Secretary of State, seemed “as ‘natural’ to Singapore as to Bristol or Liverpool.”<sup>49</sup>

Rubber goods clearly were a product “natural” to Singapore, but manufacturers there found it difficult to gain preferential access to imperial markets for their rubber boots and shoes. The Singapore trade commission commented that producers in the United Kingdom and the Dominions appeared determined to keep goods made in the colonies out of the market, or at any rate to limit the share of the market allowed to them. According to the Singapore Manufacturers’ Association, the Ottawa Agreements were proving detrimental to its members because India and the Dominions granted preferences to British but not to colonial manufactures. A Singapore company that had been on an equal footing with a British manufacturer found itself at a disadvantage after Ottawa because “goods manufactured in a British colony with raw materials of Empire origin enjoyed no advantage over wholly foreign goods.” The Commissioners’ report criticized what they saw as a tendency to treat tropical colonies as foreign entities, when a manufacturer in Singapore or Hong Kong was as much an “Empire producer” as one in Great Britain, Canada or Australia.<sup>50</sup>

## ENTREPÔT CITIES AND THE NATION-STATE

Japan’s Greater East Asia Co-Prosperity Sphere was a variation of the trade blocs of the Western colonial empires. Where the British Empire offered the United Kingdom as an industrial centre, the Dominions and India as exporters of food, raw materials and some manufactured goods, and the colonies as producers of raw materials, the Japanese Empire offered northeast Asia as an industrial centre, China as a vast market and a source of labour, and Southeast Asia as a supplier of raw materials. However, shortages of consumer goods owing to war production and a severe lack of shipping space meant that Japan was unable to achieve economic integration in “Greater East Asia”. In fact the Japanese, far more than their Western predecessors, were forced to press for local self-sufficiency.

When the war ended, local and regional trade was in disarray, Southeast Asia had been cut off from its principal external markets for more than four years, businesses had lost personnel and physical assets, and financial institutions had suffered enormous losses. However, the recovery effort provided a strong economic stimulus as governments committed resources to importing food and clothing, and to re-starting basic industries.

The major colonial powers entered the war determined to recover their lost colonial empires and restore the *status quo ante*. Britain abandoned this goal after the war and arranged peaceful transitions to independence in its colonial empire, while the French and the Dutch fought bitter and ultimately unsuccessful wars in an attempt to retain French Indochina and the Netherlands Indies. All three European powers saw their colonial territories as collections of lands that lacked coherence, and of peoples with diverse

49 SSTC, p. 161.

50 SSTC, pp. 161–62.

identities. The British in anticipation of independence, and the French and the Dutch in anticipation of a restructured colonial relationship, all proposed the introduction of federal systems that would give individual social and cultural groups distinct identities and constitutionally protected rights. However, the nationalist governments that replaced them favoured unitary states with a single citizenship, and generally eliminated special rights for minority groups.<sup>51</sup> The new administrations showed interest in a system of regional cooperation, and between 1947 and 1955 countries in Southeast Asia took part in several Asian-based international conferences that explored this concept.<sup>52</sup> However, nationalism was very much in the ascendancy, and the newly independent states generally avoided interdependence, and used economic protectionism to try to achieve local self-sufficiency. For Singapore and Hong Kong, which depended on a free trade environment, these policies were potentially disastrous, and the situation was made worse in Southeast Asia by government efforts to displace Chinese businessmen in favour of indigenous entrepreneurs.

There were suggestions that Singapore should join the Federation of Malaya, and that Hong Kong should become part of China. In both cases, the outcome was determined to some degree by the politics of the Cold War. In March 1948 Roland Braddell described Singapore as “the *de facto* capital of Malaya”, and asserted, “nothing will ever change that”. Officials at the Colonial Office shared this opinion, and said in the same year that, “the policy should be to create a closer political association of Singapore with the Federation of Malaya as soon as practicable.”<sup>53</sup> Braddell’s comment suggested a hope for the future, but hardly reflected past or present realities. Historically, Singapore’s interests had reached far beyond the Peninsula, and the war did little to alter the situation. With China in turmoil, Singapore was well placed to become a centre for international business and finance in Eastern Asia if it remained outside the Federation of Malaya, while incorporation into Malaya presented a host of difficulties. First, both in Singapore and in the Federation a substantial body of opinion opposed union. Second, inclusion of Singapore in the Federation would require the consent of the Malay rulers and of the United Malays National Organization, and their agreement was by no means assured. Third, Singapore’s Legislative Council enjoyed substantial power, and if Singapore became a settlement within the Federation concessions already won would be lost, something the population of Singapore was unlikely to accept. Underlying these concerns was a simple demographic reality: without Singapore the Malay population of the Federation of Malaya comfortably outnumbered the Chinese, but the addition of Singapore reversed the situation. A report issued in 1948 provided the figures shown in Table 1.

In 1948, while these matters were under consideration, Malaya was plunged into turmoil when the Malayan Communist Party, which was largely Chinese, launched the armed struggle that the British referred to as the Malayan “Emergency”. British forces would spend the next decade fighting communist guerrilla forces in the peninsula, with the support of a Malay population that feared the consequences of an MCP victory, and

51 See Kratoska 2003, pp. 3–22.

52 See Goto 2003, ch. 11.

53 Braddell’s memo, dated 11/3/48, is in CO 537/3669 (52243/14). The second quote and the discussion that follows are derived from correspondence in the same file.

**Table 1.** Malay and Chinese populations of the Federation of Malaya and Singapore

	Malays	Chinese
Federation	2,185,311	1,882,874
Singapore	75,802	728,523
Total	2,259,113	2,611,397

Source: Letter to Lord Listowel, Secretary of State for Colonies, 22 Nov. 1948, in CO 537/3669.

benefited from a Malayanization process in the years leading up to independence in 1957. One consequence of the Emergency was that the issue of Singapore's possible entry into the Federation remained in abeyance for more than a decade.

Hong Kong's continued existence as a British colony seemed even more doubtful. By 1947 Britain had conceded the impossibility of retaining its empire, and a process of imperial withdrawal was underway. The Kuomintang, with significant local support, was promoting retrocession of Hong Kong, and it was clear that Britain would not attempt to retain the colony. Here, too, Cold War politics intervened. The communist advance, and particularly communist successes in China, changed priorities in Asia and altered the political dynamics of Hong Kong. The communists opted to respect existing arrangements with regard to the colony, and the British government had few alternatives to continuing with colonial administration. Power could not be transferred to the local oligarchy, or to any Chinese political group in the colony, without upsetting the status quo. *Faute de mieux*, Hong Kong would remain a colony until the end of the twentieth century.

The first experiment in unification took place when Singapore became part of the Malaysian Federation created in 1963. Whether Singapore could have been incorporated successfully into the Federation of Malaya in 1948 is open to question, but in 1963 the two entities proved incompatible, and the arrangement ended in 1965. There are many reasons for Singapore's departure from the federation, but in essence the issue was a fundamental incompatibility. Old questions about political control and racial balances remained unsettled, and the divergent political and social trajectories of the two territories during the 1950s had increased the differences between them. Although Singapore was once the capital of "British Malaya" in the sense that the High Commissioner was based there, it was part of the Crown Colony of the Straits Settlements, an entity constitutionally distinct from the Malay states, which were protectorates under Malay rulers. Moreover, to speak of the shared ethnic make-up of the populations of Singapore and Malaysia (defined by both governments as Malay, Chinese, Indian and Other) is to overlook sociological differences between a predominantly rural population engaged in agriculture in Malaysia, and a predominantly urban population engaged in commerce in Singapore. After 1965 independent Singapore resumed its role as a provider of services for the broader region, offering not only the commercial services that had sustained it in the past, but also new endeavours, starting with labour intensive manufacturing and later moving on to high-tech industries and niche businesses involved in information technology and specialized scientific research. The challenge for Singapore was to stay ahead of neighbouring countries, which were undertaking similar initiatives and sometimes possessed superior resources for the purpose.

The second experiment in unification began with the British withdrawal from Hong Kong in 1998. By the time the transfer of sovereignty took place, the sense that Hong Kong was simply a part of Canton under British rule had been tempered by a sharp awareness of



the fact that the political culture and cosmopolitan society of Hong Kong could not easily be assimilated into the People's Republic of China. Britain and China agreed upon a special status for Hong Kong in recognition of the fact that any attempt to assimilate the territory fully was unlikely to proceed smoothly, and the creation of a Special Administrative Region maintained a separation between Hong Kong and its hinterland, leaving the question of full assimilation unresolved.

## CONCLUSION

The colonial territories in Southeast Asia were spheres of influence with borders designed to prevent clashes between the various Western powers involved in the region. The territories were not in any sense created or administered as nascent nation-states, and the colonial powers – recognizing how inappropriate the nation-state model was for places that lacked both a nation in the sense of a group of people sharing a set of common characteristics, and resources that would enable them to survive in isolation – proposed alternative arrangements as their power ebbed. In particular they promoted federal models that would have allowed various groups brought together with the boundaries of colonial states a degree of autonomy and self-determination, but such proposals were tainted by colonial advocacy, and inconsistent with the direction taken by the new leadership.

The political leaders who succeeded the colonial administrators used the rhetoric of nationalism, or sometimes of communism, but at heart they were modernizers. Far from wanting to destroy the technical innovations introduced by colonial governments, and their methods of administration and governance, they kept such things intact, and also retained existing territorial boundaries. They made colonial powers targets of hostile rhetoric, but their true enemies were the beliefs and practices of their own people that impeded modernization and development. The sometimes chauvinistic nationalism they used as a tool to promote a modernizing agenda was particularly ill suited to the circumstances of Singapore and Hong Kong.

After independence, the economic ethos and the cultures of both cities were very much at variance with the ideas that prevailed in their immediate hinterlands, which emphasized locally-rooted national cultures, promoted self-sufficiency, gave preference in economic affairs to elements of the local population over outsiders, and pressed for economic development under tight government controls. In some instances the new policies were explicitly designed to curtail the activities of Chinese trading networks linked to Singapore and Hong Kong. In this climate the position of the entrepôt cities was anomalous. They were repositories of the ideas and infrastructure and technology that the leadership sought to introduce more widely, and in this respect offered certain benefits, but they promoted an aggressive free-trade capitalism, and their cosmopolitan populations operated in an international arena that competed with local interests within the new countries.

Singapore, a polyglot city with imperialist origins and a Chinese majority, did not fit comfortably into the Malay-centred nationalist model that served as the foundation of post-war Malaya and Malaysia. Indonesia was in chaos after the Japanese surrender and for a time Singapore continued to act as a trading centre for the archipelago, but with the end of the revolutionary war against the Dutch and the restoration of order in the country, Indonesia's own ports inevitably took over this role. Singapore remained Britain's regional

headquarters, but this arrangement offered no long-term solution to the question of what Singapore's role in the world might be. The fit between Hong Kong and China was better because the colony was deeply integrated with the economy of southern China, but political barriers and competition between merchants in Hong Kong and on the mainland impeded assimilation.

The logic of nationalism determined the destiny of both ports, but in ways that could not have been anticipated. The communist takeover in China brought a revival of Hong Kong's traditional role as a point of access to an otherwise tightly restricted Chinese market, and led to the perpetuation of British rule long after the demise of the British imperial presence elsewhere in Asia. China maintained a claim on the territory based on nationalist criteria – historical possession before colonial rule, geographical contiguity, and an ethnic Chinese population – but allowed this anomalous situation to persist for half a century. Indonesia's successful nationalist revolution did not create any comparable opportunity for Singapore, which came to be identified as a natural part of the former British Malaya and by extension as a missing element in the new Federation of Malaya established in 1948. Again the argument was supported by nationalist criteria: geographical contiguity, historical ties and ethnic parallels.

In both places, nationalist arguments could also be used to make a case against assimilation. Malaysia developed a nationalism based on Malay traditions and culture, while Singapore created a multi-racial national identity, and its predominantly Chinese community had markedly different concerns from the Malay-dominated governments of Malaysia. Hong Kong at the end of the twentieth century was an unreformed Cantonese city whose people had not undergone the same experiences as those living in the People's Republic of China, and much of the population supported untrammelled capitalist endeavour.

With the end of colonial rule, the fate of the imperial cities of Singapore and Hong Kong hung in the balance. The need for the services associated with an imperial trading entrepôt had not entirely disappeared, but with nation states building mutually exclusive national economies and developing their own ports and trading facilities, the future was uncertain. Prospects of incorporating the two cities into adjacent nation-states seemed poor; while they were too rich and too important to exclude, they were also too rich and too powerful to absorb. Both cities adopted industrial strategies to survive, and by exploiting their free port status pursued these initiatives with some success, but neither had sufficient labour or natural resources to have long-term viability as manufacturing centres. Their salvation appeared to lie in a return to the sort of internationalized trading arrangements that characterized the era of high imperialism, and the emergence of a globalized economy in the late twentieth century again created a demand for the traditional services provided by Singapore and Hong Kong, with their educated populations, their sophisticated banking operations, their commercial houses, their transportation linkages, their commercially-oriented systems of laws and courts, and their relative insulation from political disturbances. These qualities make them well suited as bases for international corporations doing business throughout the region, and by fulfilling this role they have remained strong and prosperous.

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