

**MACROECONOMIC PRACTICES OF ANCIENT MALAY STATE: THE
INTERNATIONAL TRADE TAX STRUCTURES OF THE OLD KEDAH
SULTANATE CIRCA 1600 A.D.**

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ABSTRACT

This paper explained the macroeconomic practices, specifically fiscal policy involving taxation, of an ancient Malay state known as the Old Kedah circa 1600 A.D. It was a maritime state, politically a sultanate government and economically dependent on international trade. The key references for this study were a transliteration text as well as a translation text of an old manuscript known as “Undang-undang Kedah” or the Laws of Kedah originally dated back to 1067 A.H. (1650 A.D.). The study found out that the concept of macroeconomic practices pertaining to the international trade tax structures of the Old Kedah were principally similar as compared to the one being practiced in Malaysia today. This fact proved that the macroeconomic practices taken by the forefathers of the Malays more than 360 years ago were the same as of today, even though their management approach and tax magnitude were different.

Keywords: *macroeconomics, fiscal policy, taxation, ancient Malay states, Old Kedah*

INTRODUCTION

Malaysia is one of the South East Asia nations. Formed on 16 September 1963, it has long and cherished history way back to the Malay Sultanate of Kedah and Malacca as well as the Malay Maritime Empire of Srivijaya (Mokthar Ismail, 2013). Most ancient Malay sultanates were established near to major international trading routes i.e. sea lines. For examples, Malacca, Pahang, Aceh, Srivijaya, Mataram and Kedah were located near to an entrepot - a port, city, or other centre to which goods are brought for import and export, and for collection and distribution (Oxford Dictionaries, 2013). As such, the economic management of the ancient Malay states was predominantly revolved around maritime industries.

Due to western colonialisation that started in 1511 with the fall of Malacca and prolonged conflicts that ensued between local people and those ‘unwanted’ guest for hundreds of years, records of macroeconomic practices of ancient Malay sultanates were lost. Fortunately, some copies are still available mostly with international libraries and archive of their trading partners and colonialists such as in the United Kingdom, Holland, Portugal, China and Iran. Malays experience in managing economic affairs of their states was safely locked in many ancient manuscripts that available across the world. The Malaysian government had taken initiatives to bring the manuscripts back home for future generations’ benefits. One of the most important manuscripts is *Undang-undang Kedah* (UUK) or the Laws of Kedah.

The objectives of this paper are to discuss the Old Kedah Sultanate's practice of macroeconomics in view of fiscal policy related to international trade, to compare them with Malaysian government's current international trade taxes practice and lastly, but not least, to boost self esteem of Malaysian through historical facts and figures. It is important for today's society and government to look back to the cherished history of our forefathers and learned something from them in order to move forwards. "Once we believe in ourselves we can risk curiosity, wonder, spontaneous delight or any experience that reveals the human spirit." (E.E. Cummings, n.d).

LITERATURE REVIEW

Kedah Darulaman is one of the oldest states that exist in Malaysia today, besides Pahang Darul Makmur and Johor Darul Takzim. Its history can be traced back to 630AD. In general, the history of Kedah can be grouped into two important eras – kingdoms (630AD – 1136) and sultanates (1136 – present). The starting point of sultanates era marked the beginning of Islam in Kedah. Even though Kedah's history was not as glorious as other Malay kingdoms and sultanates such as Langkasuka (2nd – 14th century), Srivijaya (7th – 13th century), Malacca (1402 – 1511) and Patani (1400 – 1902), its ability to absorb pressures from various local and international aggressors and still be in existence until today is worth to appreciate.

Geographical areas of the Old Kedah Sultanate

Modern day Kedah is different as compared to the Old Kedah. While the former is only one of the 14 states that formed Malaysia on 16 September 1963, the latter was a maritime empire by itself. However, the least discussed Malay ancient states in the history of modern Malaysia, as compared to Srivijaya and Malacca, is the Old Kedah. It was one of the several Malay states that existed in the Malay Peninsula – an area that stretched from the Isthmus of Kra (Segenting Kera) in Tenasserim (Tanah Seri), Myanmar to Singapore (Singapura or Singgah Pura, due to its nature as entrepot), as presented in Appendix A.

Kedah's name was wrote and pronounced differently according to varying times and reference sources. Its name in old roman alphabets is Quedah. Kadaram and Kataha were the other names of Old Kedah commonly used by traders from India (Sabri Zain, n.d). Old Kedah is the most senior state in the federation of Malaysia, due to the fact that the state maintains its existence since the second century A.D., preceding Pahang and Johor (Nasha, Nazarudin, Tarmiji & Zulkifli, 2008).

The Old Kedah can be defined as the original sovereign state of modern Kedah Darul Aman, located approximately in the middle of the Malay Peninsula's western side. Appendix A presents the territories of the Old Kedah sultanate that included the present day Kedah Darul Aman, Perlis, Setul (now Satun, Thailand), part of southern Terang (now Trang, Thailand), Pulau Pinang, part of northern Perak Darul Ridzuan and all the offshore islands that were scattered along its coastal line. The traditional coastal border of Old Kedah stretched from the Terang river (now in Trang, Thailand) to the south, reaching Kerian river (now in Perak Darul Ridhwan) i.e. between latitude 7°20'N and latitude 5°10'N (John Anderson, 1989; Newbold, 1839; Moor, 1837; Malcom, 1839 and Muhammad Hassan, 1968 as cited in Mior Ahmad Noor, 2002).

The claim that Old Kedah existed since the second century is not merely hypothetical in nature. An archaeology excavation done by researchers from Universiti Sains Malaysia (USM) in Sungai Batu near Lembah Bujang, Kedah had successfully discovered the site of the earliest civilization in Southeast Asia, which is believed to dating back to the second century (Asia Research News, 2010). It is much older than several other discoveries around

Southeast Asia such as the Borobudur (ninth century) and Angkor Wat (12th century). As a sovereign state, the Old Kedah managed to have a proper political structure and constitution as well as laws. One of the most famous laws is the UUK. This paper analysed the law and discussed it from macroeconomics perspective.

The Laws of the Old Kedah Sultanate

The major reference of this study is the UUK text published by Dewan Bahasa dan Pustaka (DBP). The text was available due to the result of transliteration efforts from an old handwritten “jawi” manuscript into modern Malay language that uses Roman characters by Mariyam Salim (2005). The manuscript, in a microfilm format, was obtained from the School of Oriental and African Studies (SOAS), University of London’s library with the reference number MS 40329.

The secondary reference of this study is the UUK text published in Journal of the Malayan Branch of the Royal Asiatic Society in 1928. This text was a translation version by Winstedt (1928). This translation is used as a cross-reference to compare specific terms used in Malay and English. This comparison is necessary to ensure all Malay terms are correctly translated into English and the specific meaning of words and sentences portray the actual meaning intended by the UUK Laws.

The manuscript recorded laws pertaining international trade, royal families and Islamic legal system, among others. In general, the UUK text can be divided into five sections, as follows:

- (i) Section I: The Port Laws dated 1650 A.D.
- (ii) Section II: The Laws of Dato’ Sri Paduka Tuan dated 1667 A.D. (1078 A.H.)
- (iii) Section III: The Qanun Law of Dato’ Kota Star, undated.
- (iv) Section IV: Description on the Preparation of Golden Flower (Bunga Emas), undated.
- (v) Section V: The Laws of 1199 Hijrah (1784 A.D).

In brief, the first chapter of UUK, the main focus of this paper, described mostly on the macroeconomic practices related to fiscal policy’s taxation of the ancient Kedah sultanate. The law focused on the legal and economic aspects of maritime trading industries, reflecting the key economic activities of ancient Kedah at that particular time was international trade. The second and third chapter explained some local laws and customary. The fourth chapter explained in details the arts of making golden flower. The final chapter of UUK was actually an adopted laws of *Undang-undang Melaka* (the Laws of Malacca) as was highlighted by Winstedt (1928). This practice is common even in today’s legal practice. For example, the Communications and Multimedia Act 1998 of Malaysia (Act 588) is actually an adapted version of similar act being proposed for but rejected by Australia due to certain reasons.

RESEARCH METHODOLOGY

This paper highlights the approach of ancient Malay sultanates in managing their economy, in particular the Old Kedah circa 1600 A.D. Therefore, the reference was selected from a highly authoritative source and can represent the state without any doubt. The study adopted “*Undang-undang Kedah*” (Mariyam Salim, 2005) as its primary reference due to the fact that this document is actually a binding law of the ancient Malay sultanate. The study also tries to identify similarities or differences of fiscal policy management in term of taxation between the Old Kedah sultanate and Malaysia.

FINDING AND DISCUSSION

The focus of this paper is to study the practice of taxation on international trade activities hosted by the Old Kedah circa 1600 A.D. and compare them with the current Malaysian government practice. Chapter I: The Port-Laws of the UUK provides enormous information on this matter. It explained the governance of an entrepot that received trades from all over the world involving all types and sizes of goods and services.

Among the places mentioned in the text as the origin or the home-ports of those traders were Kalinga and Gujarat of Indian continent; Perak, Melaka, Jambi Sumatera of western neighbouring states; as well as Sadao, Palasan, Ligor, Patani, Merdelang, Senggora of northern neighbouring states. The text also mentioned about “kompeni” which is a direct adoption of an English word “company”, referring to the British East India Company that successfully became one of the major and influential traders at the Old Kedah port. The company also had its forward base at Kalinga, Gujerat as well as at Melaka.

Examples of International Trade Taxes Imposed by the Old Kedah Sultanate

The discussion that follows will highlight several parts of *Undang-undang Kedah* or the Port Laws that explained how international trade tax structures were imposed in the Old Kedah sultanate. The original paragraph from UUK, or better known as “article” in modern legal term, is extracted and brief explanation is given pertaining the content and meaning of the article.

- a. Tax imposed on inbound and outbound traders; merchandise and animals
Jikalau ada orang itu pergi mari berniaga ke negeri mahulah dengan periksa. Tatkala sudah periksa maka beri surat ke negeri supaya lepas masuk. Maka hasilnya enam kupang emas. Maka tatkala ia balik keluar, ada ia membawa kerbau muatan pada seekor sekupang emas diambil. Jikalau ada orang itu membawa jual gajah, pada seekor sepaha emas diambil. Dan jika ada orang membawa jual sahaya, pada seorang seemas hasilnya (Mariyam Salim, 2005, p.1).

The above transliteration paragraph is the first article in Port Laws, can be loosely translated as follows: All traders who wish to participate in trading activities in the Old Kedah are subject to full inspection by the port authority. Special entry pass will be granted upon successful inspection and the traders are required to pay for the entry pass in gold. Similarly, outbound traders are subject to full inspection by the port authority. Merchandise or animals acquired from the Old Kedah such as buffalo is chargeable with *sekupang emas*, and elephant is chargeable with *sepaha emas*.

- b. Tax rate collected by the sultanate’s officers
Fasal pada menyatakan kharajat negeri dinyatakan oleh syahbandar kedua kapal nakhoda kapal itu. Pertama-tama hasil panglima bandar tengah, tiga tahl, akan panglima negeri, dua tahl, akan panglima kuala, tatkala masuk sepuluh emas, tatkala keluar empat belas emas (Mariyam Salim, 2005, p.4).

The term *kharajat* in the Laws of Kedah means taxes (Mariyam Salim, 2005, p.173). This term is derived from Arabic word *al-kharaj* and it has the same meaning i.e. tax. In Islamic practice, *al-kharaj* is classified into two categories. The first category is called Kharaj al Wazifah. The second category is called Kharaj al-Muqasamah (al-Mawardi, 1973 as cited in Muhammad Ridhwan, 2010)

- c. Tax imposed according to the size of a ship or tonnage

Bermula adapun perahu itu jika lambu kira-kira muatan dua puluh koyan, maka diambil hasilnya empat kunca. Dalam itu diambil panglima bandar sekunca. Dalam itu dibahagi tiga, akan panglima bandar enam nalih lima gantang, syahbandar tiga nalih tengah tiga gantang. Maka dikeluarkan mata-mata daripada panglima bandar enam gantang dan daripada syahbandar tiga gantang. Demikianlah dihisabkan (Mariyam Salim, 2005, p.9).

The Old Kedah port authority had also imposed tax based on the size of a ship or tonnage. Logically, the larger the size of merchandise, the higher the tax imposed and collected. The situation is similar in view of the ship's tonnage. The heavier the ship, the higher the tax was imposed and collected. The two paragraphs above highlighted that if a ship's tonnage is *20 koyan*, the port authority would charge *four kunca*. The tax was apportioned accordingly to other port officers in charge. Table 1 presents the Old Kedah's complete taxation schedule for merchant vessels and merchandises at Port Kuala Bahang (Kuala Kedah).

Based on Table 1, there were various types of taxes imposed by the Old Kedah sultanate on local and international traders at Kuala Bahang international port. It is reasonable to deduce that the contribution of port taxes towards the gross national income (GNI) of the ancient Malay sultanate was significant.

Table 1: The Old Kedah Taxation Schedule for Merchant Vessels and Merchandises at Port Kuala Bahang (Kuala Kedah)

No.	Source of taxes	Origin of vessels	Size of vessels	Tax rates payable to the Old Kedah government	Receivers/ Officer's rank (read: Government departments)
1	<i>Kharajat</i> i.e. tax imposed on inbound and outbound merchant vessels at the port	N.A.	N.A.	<i>2½ tahl</i>	<i>Panglima bandar</i>
				<i>2 tahl</i>	<i>Panglima negeri</i>
				<i>10 emas</i> (inbound vessel) <i>14 emas</i> (outbound vessel)	<i>Panglima kuala</i>
2	<i>Bandela</i> i.e. tax imposed on bundles of merchandises traded at the port	Keling	N.A.	400 <i>emas</i> of Patani standard	<i>Raja</i> (Sultan's representative)
		Gujerat	N.A.	600 <i>emas</i> of Patani standard	
		Keling	N.A.	2 <i>kupang</i> for each bundle (bandela)	<i>Panglima bandar</i>
		Gujerat	N.A.	2 <i>kupang</i> for each bundle	
3	<i>Bangsai</i> i.e. tax payable for the usage of warehouses to keep bundles of merchandises at the port	Keling	N.A.	A roll (sekayu) of <i>Selampuri</i> (a type of textile) for each 4 bundles	<i>Panglima bandar dan sakai</i>
		Gujerat	N.A.	A roll of <i>Bafta</i> (a type of textile) for each 4 bundles	<i>Panglima bandar dan sakai</i>
4	<i>(Not using Bangsai)</i>	Keling	N.A.	2 rolls (2 kayu) of	<i>Mata-mata</i>

.	i.e. tax payable for security services to watch over bundles of merchandises at the port (if traders decided not to use warehouses).	Gujerat	N.A.	<i>Selampuri</i> for each 1000 rolls of textiles	
				2 rolls of <i>Bafta</i> for each 1000 rolls of textiles	<i>Mata-mata</i>
5	<i>Tebusan</i> i.e tax on POWs and slaves	N.A.	N.A.	1 <i>emas</i> for buying/ redeem;	<i>Panglima bandar</i>
6	Salt and other merchandises carried by vessels	Keling	40 <i>koyan</i>	2 <i>kupang</i> for selling	
				8 <i>nalih</i>	<i>Panglima negeri</i>
				8 <i>nalih</i> 5½ <i>gantang</i>	<i>Panglima bandar</i>
		Keling	20 <i>koyan</i>	6 <i>nalih</i> 2½ <i>gantang</i>	<i>Syahbandar</i>
				1 <i>nalih</i> 8 <i>gantang</i>	<i>Mata-mata</i>
				5 <i>nalih</i> 15 <i>gantang</i>	<i>Panglima bandar</i>
Perak and other Malay states	N.A.	2 <i>nalih</i> 15½ <i>gantang</i>	<i>Syahbandar</i>		
		9 <i>gantang</i>	<i>Mata-mata</i>		
		2 <i>bidur</i>	<i>Panglima batangan</i>		
7	Tin			2 <i>bidur</i>	<i>Syahbandar</i>

Source: Adapted from Mohd. Sukki Othman and Adi Yasran Abdul Aziz, 2012.

Tax Authority of the Old Kedah Sultanate

Taxes were paid to the Old Kedah sultanate according to specific government levels. Even though the receivers of taxes explicitly mentioned in the Laws of Kedah were the officers of the sultanate such as the *syahbandar* (harbour master), *panglima kuala* (estuary commander), *panglima bandar* (port commander), *panglima negeri* (state commander) and *raja* (governors), they were not referring to individuals per se, but the institutions led by those government officers. Therefore, the government posts mentioned in the Laws of Kedah were actually referring to institutions that represented the Old Kedah sultanate's supreme ruler known as *Syah Alam Yang Maha Mulia* or *Khalifah* (Mariyam Salim, 2005, p.1 & 49) i.e. the King and Sultan of the Old Kedah that had absolute powers at every government levels – local, states and federal.

Taxes were paid in real money i.e. gold and silver. The Old Kedah's monetary system circulated sufficient number of gold and silver coins known as "kupang emas" and "perak" respectively. Table 2 presents the weight system and its equivalent unit. Table 2 also compares the gold weight with modern monetary value in Ringgit Malaysia to reflect the actual size and wealth of international trade at that time.

Table 2
The Old Kedah weight system and its monetary value

No. ¹	Old Kedah Weight System		Modern Metric System: gram (g) & kilogram (kg)	Monetary value of gold ² (in RM) based on the same metric weight
	Basic Unit	Equivalent Unit		
1.	1 Saga	N.A.	0.118 g	17.11
2.	5 Saga	1 Kupang ³	0.59 g	85.55

3.	4 Kupang	1 Emas @ Mas ³	2.36 g	342.20
4.	4 Mas	1 Paha (Sepaha)	9.44 g	1,368.80
5.	4 Paha	1 Tahil	37.76 g	5,475.20
6.	16 Tahil	1 Kati	604.16 g	87,603.20
7.	100 Kati	1 Pikul	60,416 g @ 60.416 kg	8,760,320.00
8.	3 Pikul	1 Bahara	181.248 kg	26,280,960.00
9.	40 Pikul	1 Koyan	2,416.64 kg	350,412,800.00
10.	20 Koyan	100 Kunca	48,332.8 kg	7,008,256,000.00

Source: Adapted from Ibrahim's Numismatic Gallery, <http://ibrahim-bakar.blogspot.com>

Note: ¹ No.1 to 6 is small scale measures for small or light items; No.7 to 10 is large scale measures for big or heavy items. ² The average price of 916 gold is RM145.00 per gram on September 28, 2013 (<http://www.hargaemas.com.my>). ³ The most common real money in circulation in the Old Kedah economy is *Sekupang* and *Seemas*.

Old Kedah versus Malaysia's International Trade Tax

Argument on the validity of comparing the Old Kedah and modern Malaysia's macroeconomic fiscal policy in term of taxation is expected. The former was a small state and the latter is a full-fledge nation. Due to that argument, a comparative study between the states is unjustifiable. However, this argument is not valid. The Old Kedah was a sovereign nation during its glory days, similar to Malaysia today. This fact makes the comparative study valid and justifiable.

The present Malaysian government manages the nation's finance and economy mainly through the Ministry of Finance. This ministry is responsible in the implementation of fiscal and monetary policies effectively, transparently and efficiently to achieve the nation's development goals (Ministry of Finance, 2013). Relevant agencies are established to operationalise those fiscal and monetary policies plus programs related to finance and economy of Malaysia from time to time. In view of taxation, the ministry makes a full use of the Inland Revenue Board (IRB) of Malaysia and the Royal Malaysian Customs Department (Customs) to collect the dues (KPMG, 2013). The former agency is responsible to collect personal and corporate income taxes from eligible individuals and corporations respectively. The latter agency is generally responsible to collect taxes from export and import activities.

Referring to the Old Kedah sultanate, the departments that were responsible in collecting taxes were as follows:

- a. *Raja* (governors)
- b. *Panglima negeri* (state commander)
- c. *Panglima bandar* (port commander)
- d. *Syahbandar* (harbour master)
- e. *Panglima kuala* (estuary commander)

In contrast with several researchers that assumed the port officers were receiving taxes based on their individual capacity (Mohd. Sukki and Adi Yasran, 2012); this study strongly believed those port officers were merely representing various departments in the Old Kedah government machinery. The following article of UUK can be used as a solid evidence:

Dan, pekerjaan syahbandar itu kepada tiap-tiap tahun mahulah didaftarkan oleh syahbandar dan mata-mata daripada persembahan nakhoda kapal taruh segala jenis kain, dan banyak gajah yang dibeli orang kapal itu, tingginya dan

harganya sekian-sekian supaya mudah membicarakan pada tahun yang ke hadapan (Mariyam Salim, 2005, p.14)

Those officers were required to keep detail record of all trading data and transactions to ensure future discussion and reference can be easily made. The fact that all officers were ordered to record all transaction meant they were not allowed to used the tax proceeds for personal purposes.

CONCLUSION

This paper highlighted the tax structures of the Old Kedah sultanate circa 1600 to 1800 A.D. The discussion proved that the Old Kedah government managed to form resilient and competitive taxation that could contribute significantly to its economy. The fact that proper legal documents such as the Laws of Kedah existed, and tax structures and practices as per immortalised in the ancient manuscript were practiced efficiently, provide insights for new generations of Malaysia generally and Kedahan specifically to understand their forefathers' macroeconomic strategies and approaches pertaining to international trade.

There are limitations in this study that might become launching points for future research. Firstly, not all articles in the Laws of Kedah are examined to disclose relevant macroeconomics elements practiced by the sultanate. The study simply discussed several articles from the first section of the laws pertaining to seaport. Furthermore, the scope of the study is only on fiscal policy related to taxation. Other elements of fiscal policy as well as monetary policy in the Laws of Kedah are waiting to be explored by future researchers.

Secondly, this study just discussed one side of macroeconomics i.e. the sources of income or revenue in term of taxation to the Old Kedah sultanate. The other side of it, to be exact the targets of expenditures, was totally neglected. Future researchers might consider examining the correlation between the amount of revenues earned through taxation and the value of tributary taxes paid by the Old Kedah sultanate in term of golden flowers (Mariyam Salim, 2005, p.27) or *bunga emas* to the Siam government. In addition, future researchers could opt to study how the people or *rakyat* of Old Kedah benefitted from such taxation policy.

Thirdly, the discussion drew attention to the macroeconomic practices of many ancient Malay states that existed in the Malay Peninsula. Neighbouring states of the Old Kedah such as Perak, Pattani, Singgora and Bedelong could have similar taxation policy worth to be studied and appreciated.

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APPENDIX A

The map of Malay Peninsula. The area stretched from *Tanah Sari* in the Isthmus of Kra (Segenting Kera) in Tanintharyi Region (previously known as Tenasserim Division), Myanmar to *Tanjung Piai*, Johor Darul Takzim, Malaysia. Singapore (Singapura/ Singghah Pura/ Temasek) island was part of the Old Johore Sultanate.



Source: Map Retrieved September 26, 2013, from http://4.bp.blogspot.com/-Xi7CdTvGhXg/T91oaawPYSI/AAAAAAAAAc4/VSubLjpwmmw/s1600/Peta_Semenanjung_Tanah_Melayu.jpg and <http://ibnurusydi.blogspot.com>