A famous fish market was opened in Šilutė almost 500 years ago, when Georg Tallat purchased the inn together with the land and fishing rights in 1511. The town was a gathering place for peasants from nearby Samogitia and Curonian and Prussian fishermen from Rusnė, Karklė [lt], Nida, and Lesnoye [de]. Next to the inn a church of Werden (Verdainė) was built in 1550. It was a part of the Polish–Lithuanian Commonwealth, as a fief of Poland, held by the Teutonic Knights[2] and secular Ducal Prussia.

From the 18th century, it was part of the Kingdom of Prussia. Heydekrug often sought town rights, but was opposed by Memel (Klaipėda) and Tilsit in 1721 and 1725. In 1722 it became a district center and in 1818 the capital of Landkreis Heydekrug, a predominantly Lithuanian-inhabited district in the late 19th century.[3] From 1863, a Lithuanian newspaper was issued in the settlement.[4] In the late 19th century, the settlement had a partly Lithuanian population of 2,042, which was mostly employed in agriculture, fishing and timber rafting.[4] Several annual fairs were held there.[4] Among the goods sold at the fairs were fish (e.g. to Warsaw and Saint Petersburg), pigs (to Berlin), vegetables, cattle, horses. The settlement was amalgamated with the villages of Werden (Verdainė), Szibben (Žibai), and Cynthionischken (Cintjoniškiai) in 1910, although it still did not receive city rights. Following World War I, the town became part of Lithuania when it acquired the Klaipėda Region in 1923.

The town was annexed by Nazi Germany in 1939 when it reacquired the Memel Territory. In 1941 the town finally received city rights. Under German occupation during World War II, it was the location of several German prisoner-of-war camps for Allied POWs of various nationalities, incl. the Stalag 331 C/I-C and Stalag I-D camps for regular soldiers,[5] the Stalag Luft VI camp for airmen, and the Oflag 53 camp for officers.[6]