Country traders and the opium economy

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Opium as a currency of the archipelago

No account of the entrepôt economy can omit opium. In the ports of Southeast Asia, Indian opium was a trade good, a medium of exchange and a source of government revenue. The country traders, British and Indian private merchants operating under licence from the East India Company, carried opium from Calcutta and Bombay to the ports of the archipelago and to the coast of China. In Singapore it was bought by Chinese dealers, repackaged and redistributed to the smaller ports, to the tin mines and to the plantations of the region.[1]

Opium circulated through the archipelago with a regularity that made it almost a form of money. Traders accepted it in payment because it could be resold everywhere and, given its value per unit of weight, was easy to transport. The Bugis lists of cargoes cited above include opium among the goods they took home. For the labourers on plantations and in mines, most of them Chinese migrants, opium was a consumption good whose purchase absorbed a large share of their wages. The profits of the trade therefore flowed back to the merchants who supplied it and to the government that taxed it.

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Singapore and the China trade in opium

The largest opium market lay in China, where imports were prohibited but smuggling flourished along the coast. The ships of the great agency houses of Canton and later Hong Kong carried opium from India to the receiving ships anchored off the Chinese coast. Singapore was not the principal route for this trade, which ran directly from India to China, but it served as a port of call, a supply station and a market for part of the cargo.[2] The opening of the treaty ports after 1842 and the founding of Hong Kong in the same period confirmed this division of roles. Hong Kong became the centre of the China opium trade, while Singapore remained the centre of the Southeast Asian distribution network.

Revenue and responsibility

As Chapter II has shown, the opium farm became the most important source of revenue for the government of colonial Singapore. The farm was auctioned to syndicates of Chinese merchants, who paid the government for the exclusive right to process and sell opium in the settlement. Because their profits helped to build some of the largest Chinese fortunes of the nineteenth century, control of the farm became a matter of fierce competition between rival groups.[3] The finances of the colony, the fortunes of its leading merchants and the wages of its labourers were thus bound together by a single commodity.

A modern reader will view this system with discomfort. The prosperity of the free port depended in part on a trade that ruined the health of many of its consumers and whose sale in China violated Chinese law. The historian of a financial centre must record this dependence without either excusing or anachronistically condemning it. It belongs to the same category as other episodes examined in this book, from the colonial commodity trade to the use of banking secrecy for tax evasion in the twentieth century. Each shows how a financial centre can profit from activities whose legitimacy is later contested. The lessons for reputational risk and compliance, examined in Parts E and H, begin here.

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Common misconception

It is sometimes assumed that Singapore's early prosperity rested mainly on the China opium trade. The direct opium route ran from India to the Chinese coast and, after 1842, through Hong Kong. Singapore's role was primarily that of a regional distribution centre for Southeast Asia, where opium was sold to Chinese labourers and traders under a licensed farm system. The farm revenue financed much of the colonial government. The port's trade as a whole was far broader, encompassing textiles, tin, pepper, gambier, sea produce and manufactured goods.

Notes

1. On the role of Singapore in the redistribution of Indian opium in Southeast Asia, see Carl A. Trocki, *Opium and Empire: Chinese Society in Colonial Singapore, 1800–1910*, Ithaca, Cornell University Press, 1990, and Carl A. Trocki, *Opium, Empire and the Global Political Economy*, London, Routledge, 1999. ↩
2. On Singapore's secondary role in the China opium trade compared with the direct route from India to the Chinese coast, see Michael Greenberg, *British Trade and the Opening of China 1800–42*, Cambridge, Cambridge University Press, 1951, and Trocki, *Opium and Empire*. ↩
3. On the opium farm syndicates and the competition for control of the farms, see Trocki, *Opium and Empire*, chapters 4–6. ↩

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