# MASTER THESIS

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## Poppies, Pirates and Power – Towards an Economic History of the Origins of the Opium Wars

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# Abstract

The aim of this thesis is to sketch out the economic and political origins of the First Opium War. It does so by examining the developments leading to the conflict from four different perspectives, namely trade, finance, logistics and culture. First, the trade perspective provides insights into the specifics of the triangular trading network between the British Empire, China and India, which was basically synonymous with the British East India Company at that point, and why Britain was so eager to provide China with opium. Next, the financial perspective looks at the issue of silver, which served as the main currency both at an international and domestic Chinese level and whose shortage contributed to a serious financial crisis in China. Third, by looking at the logistics of the opium trade, the important roles of the Canton trade system and the well-connected British private merchants within Canton are highlighted. Finally, the issue is presented as a clash of cultures between the British imperialist free-trade policies and China's Confucian protectionism, which ultimately led to the failure of several diplomatic trade missions and the open outbreak of a full-scale military conflict. By looking at the opium war's origins from many different angles, this interdisciplinary thesis provides a holistic picture of why the two empires went to war. Although further research into the conflict's roots is necessary, this thesis clearly implies that the origins of the First Opium War cannot be properly comprehended without appreciating the economics and interlinkages of the Sino-Chinese opium trade.

# German Abstract

Diese interdisziplinäre Masterarbeit analysiert die wirtschaftlichen und politischen Ursprünge des ersten Opiumkrieges aus vier Perspektiven: Handel, Finanzen, Logistik und ideologische und kulturelle Gegensätze. Die Handelsperspektive liefert Einblicke in die Besonderheiten des dreieckigen Handelsnetzes zwischen Großbritannien, China und Indien während sich die Finanzperspektive mit Silber als Währung befasst, dessen Knappheit zu einer schweren Finanzkrise in China beigetragen hat. Anschließend widmet sich die Arbeit der Logistik des Handelssystems in Kanton und betrachtet den Aufstieg der Privathändler als eine mächtige Interessengruppe. Schließlich wird der Zusammenprall zweier unterschiedlicher Ideologien, welcher schlussendlich zum offenen Ausbruch eines umfassenden militärischen Konflikts geführt hat, beleuchtet.

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# Introduction

*"Passing through a fortress-like gateway, the tree-lined courtyard is dominated by two imposing statues. […] Around the base, golden panels show Chinese workers smashing opium chests, all bearing the corporate logo, UEIC (United East India Company). A few meters beyond stands the second statue, this time in bronze, depicting a seated Lin Zexu, the high-flying commissioner sent by the Qing Emperor Daoguang in 1838 to close down the illegal opium trade in Canton (Guangzhou). Compared with its near invisibility back home in London, Humen's Opium War Museum is absolutely clear about the Company's role in China's fall from grace in the early nineteenth century. […] Prints of the Company's headquarters on Leadenhall Street are displayed alongside maps, artefacts and vivid tableau that show how opium smuggling brought China into 'a world of poisonous fog'."*[1]

The opium wars mark the starting point of the century of humiliation in Chinese history. They had become a dark part of the nation's heritage and contributed to the downfall of the Qing Empire. Today, the remainders of the war are portraited in the Chinese opium war museum in Humen, the city where the conflict first started to escalate when Lin Zexu, the Chinese imperial commissioner, destroyed an enormous amount of opium which he had confiscated from the British in 1839.

Until today, the impact of the British economic imperialism during the 18th and 19th century can still be felt in China and the distrust against Western nations often resurfaces during both political and economic negotiations.[2] One recent example, which involved the former British Prime Minister David Cameron who refused to take off his Remembrance poppy pin during his visit to China in 2010, brought back the painful memory of the Chinese defeat. For the British, the poppy symbolizes the remembrance of the First World War, whereas for the Chinese, it resembles humiliation from the Western countries who had forced the country to open up its

[1] Robins, Nick. 2012. *The Corporation that Changed the World: How the East India Company Shaped the Modern Multinational.* London: Pluto Press. 145.
[2] Bourne, Kenneth. 1970. The Foreign Policy of Victorian England, 1830-1902. Oxford: Clarendon Press, 4.

territory to external influences and foreign trade after the opium wars. [3] However, the conflict did not only affect China and Britain but has also been of great importance for the world economy as a whole as other nations such as the United States were also involved in the drug trade. Today, the table seems to have been turned around as the US is currently facing one of the most severe opioid endemics in the country's history and this time, China is one of the points of origin of the illegal drug production. The same narcotics that have caused the breakdown of China's economy and national strength in the past are now threatening the US administration.[4] On the political side, bold economic claims from US President Donald Trump regarding more favorable trade conditions for the United States during the last years, once more reminded the Chinese of the era of unequal treaties after their defeat in the opium wars and stirred diplomatic tensions which reopened the discussion on the topic.[5] This replay of past events makes the topic ever more relevant for our present time.

This subject of the opium wars has been widely studied from a political point of view, mainly by focusing on the bilateral relations between Britain and China and the wars themselves. However, the role of international trade and finance has often been neglected in this context. Indeed, in order to make sense of what happened, it is of paramount importance to consider the economic narrative and its implications. This thesis shows how economic factors, and particularly aspects pertaining to international trade and finance, can further our understanding of both the origins and the outcomes of the opium wars. The main argument is that a combination of economic factors and the interlinkages between those made the difference between peace and war. In order to get to the bottom of the question of the origins of the opium wars and what caused the breakdown of the successfully established opium trading network between China and the British Empire, four main key areas have been identified and studied in detail. After a short introduction of the main players involved in the opium trade network, the

[3] White, Michael. 2010. "David Cameron Should Not Have Worn That Poppy In China | Michael White". *The Guardian*. Accessed June 4, 2020. https://www.theguardian.com/politics/blog/2010/nov/10/david-cameron-poppy-china-michael-white.
[4] Realuyo, Celina B. 2019. "The New Opium War: A National Emergency". *PRISM | National Defense University*. Accessed June 4, 2020. https://cco.ndu.edu/News/Article/1767465/the-new-opium-war-a-national-emergency/.
[5] Rappeport, Alan. 2019. "19th-Century 'Humiliation' Haunts China-U.S. Trade Talks". *Nytimes.Com*. Accessed June 4, 2020. https://www.nytimes.com/2019/03/27/us/politics/china-opium-wars-trade-talks.html.

first chapter focuses on the trade perspective and takes commodity flows as well as the balance of trade of the countries involved into account. Afterwards, the question of financing is examined and silver, which was used as the main method of payment in the opium trade and was also the cause of a severe financial crisis in China, is put at the center of attention. The third chapter dives deeper into the micro level and studies the development and characteristics of the unique Canton trading system, whose breakdown further accelerated the opium trade and increased bilateral tension. A special emphasis lies on the British private traders that have emerged as one of the most powerful stakeholders involved in the opium trade. Lastly, the political component is added by highlighting the different ideologies of China and the British Empire concerning foreign trade and analyzing how they influenced trade negotiations up to the beginning of the first opium war.

This master thesis mainly represents both a historic narrative and economic analysis of the Opium Wars and their underlying causes. Consequently, economic theories, tools and indicators such as free trade vs. mercantilism, GDP, balance of payments and export/import structures of the British Empire, China and India have been applied. Furthermore, the economics of the opium trade are discussed from both a trade and monetary perspective, taking micro- and macro-economic factors into account. On the trade side, the British Empire's supposedly free trade strategy is contrasted with the Chinese protectionist approach. A special emphasis lies on the comparative advantages of each nation involved in the triangular trade network. The monetary side highlights the specifics of the currency flows both on the domestic Chinese as well as the international level. Moreover, certain theories from the fields of political science and international relations such as imperialism have also been taken into account in order to get a more detailed understanding of the decision-making processes, trade negotiations prior to the wars and the role of power politics both on a domestic and systemic level. Therefore, this thesis is built on an interdisciplinary approach by utilizing the disciplines of history, economics and political science.

## Part I: A Global Chessboard - Enter the Players

*In which the players of the Sino-Chinese opium trade are introduced.*

The opium trading network of the early 19th century could be compared to a global chessboard where two major international players were competing for power and their ideological aims. On the one hand, the British Empire that had emerged as the leading imperial force wanted to expand its spheres of influence and further profit from the benefits of foreign commerce and exchange. China on the other hand, fought to maintain its role as a strong self-sufficient continental force while keeping up its traditional values and hostile attitude towards foreign interference in politics as well as trade. Both parties entered the game from different starting positions regarding their political systems, economic and demographic development and also used different power strategies and tools to compete. The third entity, or the odd one out, that played a role in the triangular trade network is India which served as the country of origin of the opium plant. However, as huge parts of the nation had been under control of the British East India Company (EIC) since the Battle of Plassey in 1757 with the conquest of the Bengal region, this entity had to be looked at from a different perspective.[6] The role of India was interesting in multiple ways. First of all, the merger of a country and a business cooperation or as Edmund Burk called it, "a state in disguise of a merchant"[7], presented a unique constellation of an actor whose motives and dependencies have to be discussed. On the other hand, the early 19th century also marked the time of the transitional period from mercantilism to free trade for the British Empire. As the influence of the Company started to vanish as private trading houses took over, especially when it comes to British commerce in China, the EIC decline is often attributed to this change in Britain's foreign trade strategy.[8] Here, the question arose how strong the Company's actual role in the origins of the opium wars was and if it played any role at all. Therefore, in order to fully understand the mechanics and underlying motives that influenced the decision making process ahead of the opium wars, the characteristics of the parties involved have to be analyzed first

6 Stern, Philip J. 2011. *The Company-State*. New York: Oxford University Press, 3.
7 Burke, Edmund. 1822. 'Trial of Warren Hastings Esq: Third Day, 15th February 1788', in *The Works of the Right Honourable Edmund Burke*. Vol 13. 1-87.
8 Yen-p'ing, Hao. 1986. *The Commercial Revolution in Nineteenth-Century China.* Berkeley: University of California Press, 20.

before entering into the discussion of the economic motives that lead to the first shots fired in 1839.

## A. The British Empire – The Queen

At the beginning of the 19th century, the British Empire had reached one of its high points in profit and prosperity and was considered a global power with her fleets and armies deployed all over the world. Important sections of the British economy were also operating on a global scale, seeking markets and commodities far beyond Europe. The economic system was protected by the world's most powerful navy and by military garrisons that could deploy troops throughout maritime Asia and other parts of the world. On our global chessboard, the British Empire took up the position of the white queen. This is due to the fact that the country was ceremonially headed by Queen Victoria at the time of the opium wars and also, as the nation represented the most powerful player in the game. White always gets to take the first move and so did Britain with its imperialist ambition to rule the globe.[9]

The British Empire's strategy for strengthening its global position was mainly vested in imperialism and the expansion of their empire. Cain described imperialism as "a species of the genus expansion. States commonly sponsor or permit pacific expansion beyond their own borders, typically through trade, cultural exchange and the movement of peoples."[10] In order to classify as an imperialist action, "an incursion or attempt of that into the sovereignty of another state [is required and] relations are based on inequality and not mutual compromise".[11] He also stressed that imperialist often defend their methods by linking them to a higher moral purpose. In 1848 Lord Palmerston stated that "we stand at the heart of moral, social and political civilization. Our task is to lead the way and direct the march of other nations."[12] This was a perfect example for this as it shows how Britain hypocritically prided itself with its humble intention to better the world without mentioning the economic benefits for the Empire itself that came with its imperialist expansion.

9 Bourne. 1970. 6.
10 Cain, Peter, and Hopkins, Anthony. 2001. *British Imperialism, 1688-2000 (2nd Edition).* New York: Longman, 42-44.
11 Ibid.
12 Porter, Andrew, and William R. Louis. 1999. *The Oxford History Of The British Empire: 3: The Nineteenth Century*. Oxford: Oxford University Press, 102.

Although the British Empire had lost a huge part of its territory after the American War of Independence in 1776, it kept its colonies in Canada, America and the West Indies including New Zealand and India in place and started to expand its influence over other nations as well in pursuit of new markets that would boost the British economy.[13] Its spheres of influence were divided into the formal empire which comprised all official colonies and the informal empire which "meant quite simply the expansion of trade and influence so far as possible without incurring the expense and responsibility of colonial sovereignty."[14] With this new form of controlling another nation, Britain was able to take a more flexible position when it came to foreign influence and control. The most important advantage of the informal empire system was that it was a lot cheaper and less resource-intensive than formal rule, as it required no military and political personnel that had to maintain local governance and some form of the rule of law as compared to the 'real' colonies. However, controlling the informal empire did, on the other hand, require some form of 'forced willingness' of the involved sovereign state to let the British Empire interfere in its mostly commercial operations, which mostly took the form of economic dependence.[15] The different relations of India and China to Britain were a perfect example for these approaches. Although India only became an official British colony in 1858, the East India Company, equipped with quasi-sovereign powers by the British crown, de-facto had ruled over large parts of the country for a century. A military presence was established, a governor general out of the East India Companies ranks was appointed and the country was headed by a puppet emperor under the control of the EIC, which made India a part of the formal empire. Critically, India was used to penetrate the Chinese market, especially through the opium trade and the creation of the triangular trading system. The British Empire was hoping that China would become economically dependent, thus enabling the British Empire to control it in an informal way.[16] However, as we will see, China was not willing to let its sovereignty be challenged by foreign intruders and was prepared to fight for its independence.

13 Marshall. 1998. 87.
14 Bourne. 1979. 5.
15 Cain. 2001. 8-9.
16 Gallagher, John and Robinson, Ronald. 1953. "The Imperialism of Free Trade". *Economic History Review*. Second Series, 6, 4-5.

The British Empire's economy in general was on the rise since the 18th century due to its pioneering role during the industrialization period. The country became dominant in supplying services, shipping, credit and insurance markets as well as the distribution and manufacturing of commodities.[17] In regards to foreign trade, the Empire was immensely depended on overseas demand, especially for goods such as woolen textiles which made up to 50 percent of the country's exports as well as manufacturing goods. Figure 9 shows how the popularity of those goods increased up to the 19th century.[18] In addition to profiting from the export and re-exports of commodities, the British also managed to profit from its imports by imposing duties on those articles. The most important example for this practice was the case of tea: there, the import duties made up about 10% of the British government's gross revenue in the mid 19th century.[19] The industrialization of Britain's workforce also played an important role and its "foremost comparative advantage had developed through a steady accumulation of skilled labor capable of manufacturing commodities that might be profitably traded on world markets for imports desired by English consumers."[20] These developments are also reflected in the Empires' total GDP (according to purchasing power parity), which more than tripled since the 18th century and amounted to 36,232 millions in 1820 measured in International Dollars. By comparison, Chinas' total GDP of 228,600 million in 1820 also almost tripled during this time period.[21] However when comparing the GDP per capita numbers, the British Empire surpassed the Asian nation by far with an amount of 2,074 compared to China's 600 dollars.[22]

This time period also marked a transitioning phase for the British Empire in which it started to switch from its former mercantilist trading policies to a strategy based on free trade. "Mercantilism is based on the principle that the world's wealth was static, and consequently, many European nations attempted to accumulate the largest possible share of that wealth by maximizing their exports and by limiting their

17 Marshall.1998. 65.
18 See Appendix Figure 8.
19 Moulder, Frances V. 1977. *Japan, China, and the Modern World Economy: Toward a Reinterpretation of East Asian Development ca. 1600 to ca. 1918.* Cambridge: Cambridge University Press, 99.
20 Ibid. 56.
21 Maddison, Angus. 2001. *The World Economy: A Millennial Perspective.* Paris: OECD Publications.
22 Bolt, Jutta, Timmer, Marcel and Van Zanden, Jan Luiten. 2014. "GDP per capita since 1820". In *How Was Life? Global Well-being since 1820*. OECD Publishing. Accessed April 19, 2020. http://dx.doi.org/10.1787/9789264214262-7-en, 67.

imports via tariffs."[23] Also colonies constituted an important part of the system as they helped to ensure a constant supply of commodities and make the Empire more self-sufficient. "The aim of British policy overseas was to facilitate trade and to develop markets by opening up regions to outside contact. That this would benefit Britain through facilitating British Trade and investment and finding new sources of raw materials for the British Economy was freely acknowledged."[24] The British Empire was not afraid to fall back to measures such as gunboat diplomacy and military power to compel reluctant nations to make them a part of their territory such as in the case of India. Mercantilists were convinced that "a favorable balance of trade can only be obtained by one country to the extent that it is offset by another country's unfavorable balance" [25], which explains why the British were so eager to maintain a positive trade balance at any cost.

Later on, the view of supposedly free trade became more popular as it was believed that it would help Britain to remain the workshop of the world and enhance its comparative advantage. Furthermore, capitalism was considered a moral force and it was a widely held belief that the expansion of foreign trade would even benefit so-called barbarians such as for example the Asian countries.[26] Critics of Imperialism and economic expansion, such as the later Prime Minister Gladstone, who was also heavily opposed to the opium wars, were often tried to appease by their fellow countrymen who stressed free trade as a world bettering instrument and referred to a moral standpoint. This becomes apparent in Foreign Secretary Palmerstone's speeches, in which he often stated that Britain stands "at the head of moral, social and political civilization. Our task is to lead the way and direct the march of other nations"[27]. Palmerstone had been Foreign Secretary from 1830 until 1841 and was not a de facto free trader but was influenced by economists such as Adam Smith and David Ricardo. However, his true intentions become clearer by looking at this statement he made in 1843, one year after the end of the first opium war, in which he stated that "the sun never sets upon the interests of this country"[28]. This indicates that he was planning on

[23] Mercantilism. No date. *Investopedia.* Accessed January 22, 2020. https://www.investopedia.com/terms/m/mercantilism.asp.
[24] Porter. 1999. 107.
[25] Blitz, R. C. 1967. "Mercantilist Policies and the Pattern of World Trade, 1500-1750". *Journal of Economic History* 27: 39-55.
[26] Bourne. 1979. 3-4.
[27] Porter. 1999. 102.
[28] Ibid. 106.

continuing the colonial system with all its benefits up and running and, therefore, the British Empire's foreign trade strategy can be seen as a "combination of moral commitment and material self-interest."[29]

## B. China – The King

According to Adam Smith, 18th century China was "one of the richest, that is, one of the most fertile, best cultivated, most industrious, and most populous countries in the world"[30] due to its high standard of living and life expectancy rates that easily matched European levels. On the other hand, however, it was also one of the most guarded, self-sufficient and remote nations whose strict foreign relations policies kept its richness and resources out of reach for the Western powers.[31] The time period before the start of the opium wars was often called the High Qing era, as the Qing dynasty, who ruled the continental power during that time, managed to take the country's prosperity to new heights. China was able to expand its empire on the western front by bringing territories of the Mongols, Tibetans, and Muslims under its rule. These conquests were subsequently characterized by peace and political stability, as the Qing dynasty allowed these territories to keep their own religion, culture and political structures.[32] The emperor stood at the center of the political structure with absolute powers and was advised by six boards, or ministries, that were each headed by two presidents. The political goals of the Qing dynasty all centered around keeping the country stable and, consequently, keeping up its form of ruling, which was based upon self-isolation, traditions, formal rituals and respect.[33] Thus, China together with the Daoguang Emperor who ruled the country from 1820 to 1850 can be compared to the figure of the black king in our chess game. He is the most protected player in the game and often remains guarded by his fellow entourage in the back. The king rarely moves or gets close to the opposite player and neither did the Chinese emperor, who rarely got in contact with foreigners. When he is defeated, the game is over which also

[29] Ibid. 105.
[30] Smith, Adam, and Edwin Cannan. 2003. *The Wealth of Nations*. New York: Bantam Classic.
[31] Platt. 2018. 10-11.
[32] Kissinger, Henry. 2012. *On China*. London: Penguin, 65.
[33] Lovell, Julia. 2011. *The Opium War*. London: Picador, 43-45.

resembles the outcome of the opium wars, when the rule of the Qing government would effectively come to an end.

From the 16th century onward, the Chinese economy had been one of the most prosperous and self-sufficient in the world. This trend was upheld until the last decade of the 18th century, when the country's steady economic growth experienced a crucial turn due to overpopulation, domestic riots and the growing opium trading network. The Chinese Empire's expansion as well as new ways of food production significantly increased the country's population numbers and by 1800, it had grown to 300 million inhabitants with an annular growth rate that significantly superseded that of European countries as is shown in Figure 9.[34] How were those developments reflected in China's economic performance? According to Maddison's calculations, China lay ahead of Europe when it came to the aggregate GDP growth rate between 1700 and 1820 with 86 percent compared to Europe's 68 percent.[35] However, the reason for this was vested in the over-proportional population growth rates, which becomes apparent when looking at the per capita figures, where, "by Maddison's calculation, China's per capita GDP in 1820 had sunk to only 55% of the European level."[36] Back then, "leading statesmen expressed fears that population growth was outstripping food production, creating a disequilibrium that drove up prices and posed an endemic threat to subsistence and survival."[37] Many historians believed that China found itself in a Malthusian trap at that point which means that "populations would continue expanding until growth is stopped or reversed by disease, famine, war, or calamity."[38] Even Malthus himself "believed that early marriage led to high population in China and India [and that] China had an agricultural productivity which was highest in the world, that did not lead to mass prosperity due to overpopulation."[39] These demographic developments became a threat to the political stability of the nation, as the overpopulation led to food shortages, a lack of employment opportunities and,

[34] See Appendix Figure 9.
[35] See Appendix Figure 10.
[36] Glahn, Richard. 2018. *Economic Depression and the Silver Question in Nineteenth-Century China.* In: Perez Garcia M., De Sousa L. (eds) Global History and New Polycentric Approaches. Palgrave Studies in Comparative Global History. Singapore: Palgrave Macmillan. 85-86.
[37] Ibid. 91.
[38] Thomas Malthus. No date. *Investopedia.* Accessed April 4, 2020. https://www.investopedia.com/terms/t/thomas-malthus.asp.
[39] Allen, Robert C. 2009. Agricultural Productivity and Rural Incomes in England and the Yangtze Delta, c. 1620–c. 1820. Economic History Review 62 (3). 526.

subsequently, riots against the ruling class such as the White Lotus Rebellion. Those riots forced the Qing government to exhaust its treasuries in order to suppress the demonstrations.[40] Another problem the Qing dynasty had to face during this period was the country's relationship with opium. China's history with opium dates back to the 7th century, when the drug was mainly used for medical purposes. However, China's problems with opium addiction started only after the Europeans started to colonize the Asian continent, as the foreign powers introduced tobacco and the practice of smoking opium through pipes. As a result, a large part of the population became a victim of the drug and the ruling class had to impose restrictive measures.[41] The country then entered into a depression which coincided with the reign of the Daoguang Emperor (1820-1850), which is, consequently, often referred to as the Daoguang Depression, which was determined by static or declining real prices and wages.[42]

Throughout different dynasties, China's foreign trade policy fluctuated back and forth between being more or less open to the outside world. The Qings' attitude towards foreign trade was, however, fairly restrictive by only allowing a limited number of trade exchanges in specific trade regions.[43] The emperor was convicted that the country was fully self-sufficient and not depended on any foreign goods, which he also stated in a letter to the British Monarch by saying that "our country has abundant natural resources and does not need the goods of other countries to exchange for needed goods".[44] Moreover, the Chinese considered themselves as a superior nation which was surrounded by foreign 'barbarian' countries that only had to offer "strange and costly objects were of no interest to them"[45]. Thus, "the emperor considered the potential benefits of foreign trade to be small relative to the difficulties of managing the discord between foreigners and native populations in China."[46] His main concern was that the foreign traders did not have a peaceful exchange of goods in mind, when they tried to engage in trade relations with the country, but would instead pose a threat

40 Maddison. 2007. 40.
41 Blistein, David, and John Halpern. 2019. *Opium - How An Ancient Flower Shaped And Poisoned Our World*. New York: Hachette Books.
42 Glahn. 2018. 92-97.
43 Keller, Wolfgang, Ben Li, and Carol H. Shiue. 2011. "China's Foreign Trade: Perspectives from The Past 150 Years". *The World Economy* 34 (6): 853-892. doi:10.1111/j.1467-9701.2011.01358.x, 7-9. Accessed April 19, 2020.
44 Yi, Dai. 2012. *A Concise History Of The Qing Dynasty. Volume 3*. Singapore: Silkroad Press, 257.
45 "Emperor Qianlong: Letter To George III, 1793". In Backhouse, E. and Bland, P. 1914. *Annals and Memoirs of the Court of Peking*. Boston: Houghton Mifflin.
46 Keller. 2011. 7-9.

to domestic stability by inciting unrest, disorder, and promoting piracy. On the other hand, the ruling powers knew that at least a limited number of foreign trade exchange was necessary to finance the dynasty's expensive household. It also helped to compensate for the country's low tax revenues as China did not increase its tax revenue despite its strong population growth. Furthermore, foreign trade was the only way for China to get ahold of silver, which was the main medium of exchange on the world stage.[47]

Overall, China's relationship with foreign regimes could be described as difficult. The already limited number of trade interactions was confined to a single port, Canton, in which foreign powers had to submit to Chinese law and regulations. Its interactions with the other Asian countries followed the tributary system, in which China's trading partners had to accept the emperor's superiority and pay him tribute. This procedure involved the exchange of gifts between foreign rulers and the Qing emperor.[48] For the European powers, this way of conducting trade seemed totally foreign and they could not easily adapt to it as in the Western world sovereign nation-states interacted as supposed equals.[49] Consequently, almost all trade missions during the Qing era were doomed to fail, as the European powers were most of the time perceived as arrogant strangers that bore malicious intentions. This point is also of significant importance for the later breakdown of the opium trade network, as the British Empire was not able to negotiate favorable trading terms with China due to these ideological and cultural barriers.[50]

## C. India and the East India Company – The Pawn

India's part in the opium trade network and the conquest of huge parts of the country's territory by the British East India Company had been connected from the beginning, which is why they need to be looked at from a common point of view. In our global game of chess, India took over the role of the white pawn and thus becomes a part of the team of the British Empire. This was due to it being effectively controlled by the

[47] Ibid.
[48] Tributary System. No date. *Wikipedia*. Accessed December 7, 2019. https://en.wikipedia.org/wiki/Tributary_system_of_China.
[49] Kissinger. 2012. 65-68.
[50] Platt. 2018. 42.

EIC. The pawn represents one of the simplest but also most useful figures in the game as it fights in the front line in order to protect the interests of more important actors. It cannot move very far, however, if it gets to the other side of the chessboard it can be exchanged for almost any other figure in the game. In the opium trading network, the India served as the producer of opium that was then exchanged for silver in China which was one of the most valuable forms of exchange at that time. Thus, India and the EIC in its role of the pawn, constituted probably the most important weapons of the British empire in order further its imperialist ambitions.

After the Mughal Empire started to crumble during the beginning of the 18th century, various colonial powers saw their chance of infiltrating the Indian territory and take advantage of its economy and resources. One of those players, the British East India Company, was in fact an international trading cooperation. It was famously referred to as "an aggressive colonial power in the guise of a multinational business"[51] in William Dalrymple's outstanding book *Anarchy* which tells the story of the EIC's rise as a colonial superpower in India. Already in 1708 its stock was fixed at 3.2 million pounds and its sales value lay between 1.25 and 2 million pounds annually.[52] After the Battle of Plassey in 1757, the EIC secured one of the strategically most important areas, the Bengal region, which would become the center of opium cultivation in the following years.[53] From this point onwards, the Company was given sole control over British possessions within the Indian Ocean region and quickly transformed itself from an international trading cooperation into an aggressive colonial power. Therefore, it was actually a private stock company that was controlled by its London investors who effectively colonialized Indian subcontinent rather than the British Empire itself.[54] It employed its own private army consisting of mainly Indian citizens, which by 1800 amounted to double the size of the actual British army. Innovations in European governance, taxation and banking allowed the EIC's overwhelming success. The Company's rule was characterized by ruthlessly exercising military power and seizing administrative functions, which had more in common with pirates than common joint-stock companies.[55] Those developments did

51 Dalrymple. 2019.
52 Marshall, Peter J., and William R. Louis. 1998. *The Oxford History Of The British Empire: 2: The Eighteenth Century*. Oxford: Oxford University Press. 87, 488.
53 Porter. 1999. 399.
54 Dalrymple. 2019. xxv.
55 Stern. 2011. 3-15.

not only influence India from a political standpoint but also heavily impacted the county's economy as a whole.

During the 18th century, India was often referred to as one of the workshops of the world, next to China. Its economy was based on land and the harvesting of resources such as cotton with a focus on its textile industry for its own country. However, with the British East India Company infiltrating the country, more emphasis was laid on making a contribution towards global trade and the land-based trading routes were replaced by sea-based ones, especially with the beginning of the opium trading network.[56] The Company made use of the nation's agricultural manpower and employed a huge part of Indian workers on their newly founded opium plantations in the Bengal and Bihar regions.[57] Similarly to the Chinese case, the countries total GDP, which amounted to 111,417 millions of International Dollars in 1820, superseded that of the British Empire[58]. However, when comparing the GDP per capita, India's 533 dollars per capita could not compete with the British developments.[59] Still, some contemporary economists were convinced that the British Empire's colonial rule might have actually benefitted the country by turning it into one of Asia's great trading nations and establishing a functioning external trade sector which reached its peak during the Company's rule.[60]

One of the country's most important trading partners was its neighboring power China, especially since the establishment of the opium trading network and the selling of opium as India's primary export good. Before that, the East India Company was in fact struggling to keep its business operations alive, as the main good that was traded with China was tea which was then imported back to the British Empire and had to be paid with British money.[61] However, when the Company was awarded the exclusive trading rights for opium with China in 1793, it entered into a golden phase. An interesting detail about the opium trade was the fact that opium was deliberately only sold to China and not marketed within India itself. The reasons for that are often referred back to the fact that opium consumption was generally prohibited within

[56] Dutta, S. and Mukherjee, N. 2020. *Mapping India*. London: Routledge India. 1.
[57] Markovits, Claude. 2018. „L'Inde dans l'économie mondiale au XIXe siècle". *Revue d'histoire du XIXesiècle* 56: 1. 17-32.
[58] Maddison. 2001.
[59] Bolt et. al. 2014. 67.
[60] Kumar, Dharma, and Meghnad Desai. 1983. *The Cambridge Economic History of India*. Vol. 2. Cambridge: Cambridge University Press. 804-806.
[61] Greenberg. 1951. 14.

Britain. Consequently, as it saw India as part of its colonial empire, the consumption of opium remained forbidden. The British were also aware of the negative side effects of opium consumption which could have drastic implications for the health and efficiency of the Indian workforce and could, subsequently, influence the country's commercial operations. Anti-opium reformers back then have often "pointed out the paradox in this argument that if selling opium to India was deemed immoral, then any sales of opium to China should likewise be deemed immoral. However, the [British] government was fully committed to the opium trade in China, which contradicted the reasoning."[62]

However, at the beginning of the 19th century, the British East India Company had to face much more severe challenges than the complaints by anti-opium reformers. In order to maintain its colonial rule, it had to employ military troops that would safeguard its territory, which was a very costly operation. Furthermore, the EIC's only revenue streams stemmed from its opium exports, which were turning into a high-risk business as China increased its prohibition policies and the British government was no longer willing to help the Company out financially in case the commerce would break down.[63] At this point in time, the East India Company had separated its own banking institutions from the Indian one's that had financed the Company's operations in the past.[64] As Britain's general foreign trade strategy was going through a transformative phase and mercantilism was increasingly replaced by free trade, the East India Company's power began to wane. A new phenomenon named 'Country Trade', which "was trade conducted by private businessmen within the commercial domain of the East India companies' charters,"[65] started to impact commercial relations with China. This meant that the EIC still dominated external trade with India's powerful neighboring country but was not in full control anymore. When it finally lost its trading monopoly in the China trade in 1834, the Company's own servants were the first ones who started their own private trading houses in Canton and distanced themselves from their former employer.[66] Thus, "in India, the Company's role had shifted from trader to sovereign and its chief function was now to maintain conditions under which trade

62 Deming. 2011. 6-7.
63 Cain. 2001. 92-93.
64 Porter. 1999. 410.
65 Yen-p'ing. 1986. 20.
66 Greenberg. 1951. 72,

could be carried out by others."[67] This remained the status quo in the country until it was put under direct control of the British Crown in 1858 and the EIC's reign came to an end.

[67] Le Pichon. 2006. 1-5.

## Part II: Rolling out the Trade Playing Field

*In which the economic logic and interests in the triangular trading network between the British Empire, China and India, or the East India Company, are sketched out*

The early days of Sino-British trade relations were often referred to as the Old China trade. This time was characterized by high demand for Chinese goods from the Western side while the British Empire could offer little in return. Britain was focused on expanding its textile and manufacturing industries as the country hoped to develop a comparative advantage in the production of those goods, which would subsequently be exported all over the world and so, in the late 18th century, almost 50 percent of British exports constituted textiles[68]. However, this plan did not work out in regard to Chinese trade for several reasons. First, China's as well as India's own textile industry was, in fact, more advanced than the British one and the Empire even had to impose import restrictions on Asian fabrics so they could protect its own production.[69] Second, regarding the British Empire's manufacturing goods of which many constituted machines that were produced after the industrial revolution, the Chinese market was not the ideal place to sell these goods. The country had not yet undergone the same degree of modernization in this area and had, therefore, no use for these technologically advanced products. Furthermore, the trade with the Asian continent also constituted a high-risk operation as all journeys had to be undergone by ship around the Cape and took up to six months.[70] The only exception of goods produced in Britain and heavily demanded on the Asian continent were 'singsongs', which included items such as clocks, watches and snuffboxes containing, for example. These products were actually popular amongst the Chinese population and amused both the Emperor as well as private consumers.[71] However, overall, the trade exchange between these two countries alone could be characterized as mainly a one-sided affair.

From the Chinese point of view, the British market constituted a lucrative place for its own export industry. Although the country was relucted when it came to foreign trade exchanges, it knew that its commodities could generate high revenues on the European market. Consequently, it engaged in exporting goods such as tea, raw silk

68 Marshall. 1998. 87.
69 Greenberg. 1951. 1-5.
70 Marshall. 1998. 487-488.
71 Greenberg, 1951. 22-23.

and native cloth. Furthermore, exotic spices and luxury goods such as porcelain and furniture were also in high demand in the Western sphere at that time as those products could, for the most part, neither be produced on the European continent nor in its colonies.[72] On the other hand, China also wanted to preserve its own native industries at all costs, which is why it tried to stay, for the most part, out of reach of Western imports by limiting foreign trade to one single port.[73] In order to tackle this trade imbalance with China, the British Empire had to make use of its colonies in order to find goods that could be marketed apart from its own commodities. These goods were found in India, from which woolen, metals and cotton were exported to China. The trade exchanges of the British controlled regions in India and the resulting profits were counted as part of the British trade balance. However, compared to China's exports to Britain, this was a small-scale operation.[74] Furthermore, the strategy of including colonial territories such as India to the Empire's trading network also partly backfired, as it increased domestic demand for products from India. Therefore, the country started to re-exports colonial goods at higher prices than they were first imported in order to prevent this from happening.[75]

Overall, the early days of the trade exchange between the British Empire and China were marked by protectionist policies from both ends, which limited the commercial exchange. With the British Empire's trade deficit continuing to grow, a new solution needed to be found on the British side in order to keep its dominant position on the world market.

## A. Two momentous love affairs

The British Empire's trade imbalance with China in the 18th century would perhaps have been resolved through the introduction of India as a third player to the game by adding the colony's positive trade balance with China to its own, had it not been for the development of a love story that brought the country into serious commercial troubles. Unfortunately for the Crown, the British people had come to enjoy the taste

72 Marshall. 1998. 487-488.
73 Marx, Karl. 1853. "Revolution In China And Europe". *Marxists.Org*. Accessed December 2, 2019. https://www.marxists.org/archive/marx/works/1853/06/14.htm.
74 Yi. 2012. 250-251.
75 Cain. 2001. 88-89.

of tea which demand kept exploding during this time. This development had devastating consequences for the countries balance of trade which is defined as "the difference between the value of a country's imports and exports for a given period. It is [also] the largest component of a country's balance of payments (BOP)."[76] China on the other hand, fell victim to a much more dangerous love affair, namely opium. The consumption of the drug not only had a disastrous effect on the country's trade account, but also its political system as well as its people's health. The following chapters will take a closer look at the economic implications of both commodities and show how both goods led to the creation of the triangular trade network between the British Empire, China and India.

### i. Tea

The British Empire's first encounter with the herb can be traced back to 1637 when the beverage was described as "water with a kind of herbe boyled in itt"[77] during a British trade mission in China. By 1717, British foreign traders had already been "instructed to carry as much tea as the Ship can conveniently stow"[78] and soon afterwards, the East India Company was given monopolistic power over the Chinese tea purchases.[79] The island's national drink was born. "Through the eighteenth-century Britain's appetite for the drink continued to grow at an enormous rate, and the import figures kept climbing, growing nearly 10,000 percent by 1805, at which point the Company would be shipping home 24 million pounds of tea per year."[80] This development can also be observed in the good's Chinese export value, which stood at 55 percent measured in percentage of total exports in 1775 and grew up to over 90 in the early 19th century.[81] Tea could only be imported from China at that point in time as India was only about to start its own tea production industry.[82] The British government initially imposed import duties on the good with the aim to profit from those revenues as demand was extremely high. Such duties ranged from 75.9 to 127.5

76 Balance of Trade (BoT). No date. *Investopedia.* Accessed April 19, 2020. https://www.investopedia.com/terms/b/bot.asp.
77 Platt. 2018. 12.
78 Ibid. 13.
79 Moulder. 1977, 98.
80 Platt. 2018. 12-13.
81 Lin, Manhoung. 2006. *China Upside Down: Currency, Society, and Ideologies 1808–1856.* Cambridge: Harvard University Asia Center. 65.
82 Robins. 2012. 147.

percent and its profits could almost bear the cost of the British Royal Navy.[83] As a comparison, China's export tax on tea remained constant at only 10 percent. On the negative side, high import taxes also encouraged smuggling into England. Thus, the government was forced to lower them to 12.5 percent in the 1784 Commercial Act in order to tackle this problem. [84] In addition, the Company had the opportunity "to double its money on the purchase cost in Canton when the chests were auctioned in London."[85]

With the demand for tea booming and the British government demanding that the East India Company had to keep a year's worth of supply in stock, the corporation had to focus all its attention to the tea trade.[86] However, British products could only cover one quarter of the Company's tea investment.[87] Up to the late 18th century, the Company was not able to find a good that they could offer to the Chinese market in return and the imbalance had to be compensated for with capital. The problem was that the EIC did not have any silver reserves left at that point and made huge losses due to its costly military expanses in India. Those had to be lifted through loans from the British government, which was not pleased with this development.[88] In order to ward off a huge financial crisis, the only solution that remained was to find a product that was craved by the Chinese at an equal extent as tea was by the British.

### ii. Opium

Since the demand for Chinese products such as tea and silk, in which China had a comparative advantage, was pressuring the British Empire's balance of payments through immense outflows of silver reserves, the British had to look for an alternative good that they could match their imports with. This was found in opium.

After having discovered that the Chinese population had acquired a particular taste for opium, the British seized the opportunity and made use of their opium resources in their Indian colonies, which were controlled by the East India Company. The drug had been used for medical purposes for centuries and with the introduction

[83] Wong, J. Y. 2002. *Deadly Dreams: Opium And The Arrow War (1856-1860) In China*. Cambridge: Cambridge University Press. 433-434.
[84] Ibid. 434.
[85] Robins. 2012. 152.
[86] Greenberg. 1951. 5.
[87] Ibid. 14.
[88] Yi. 2012. 254-255.

of tobacco, the practice of smoking opium developed.[89] This habit, however, had far more serious consequences for the country than Britain's love for tea as the negative side effects of the good seriously affected China's population. From nausea to sleepiness and, in the worst cases, comas and death, it was speculated that the highly addictive drug turned a large percentage of Chinese government officials and even more common people into empty shells who were no longer able to play their part in society.[90] Obviously, this had huge implications for the country's productivity and administration, as large parts of the workforce were no longer able to keep the system running.[91] Indeed, by 1820, more than twenty percent of China's government officials fell victim to the drug, although the Court had started to impose its first bans on the opium trade in the early 18th century before the situation even reached this level of devastation.[92]

The East India Company was not at all concerned with China's prohibition of opium after it had successfully turned the Indian provinces of Bengal and Bihar into colonial regions under its control and the opium trade with China started to gain momentum.[93] Opium turned out to be "the single most valuable commodity being traded in the entire world and personal fortunes were being made from it."[94] The British Empire was able to profit from the drug production in India through three different channels. First, it gained enormous revenues from selling the opium in China through the EIC's trading monopoly. Second, it also taxed domestic consumption of the drug in India and last, it collected fees from private producers in the Malawa region in India, which was not part of the official opium monopoly territory of the Company.[95] Between 1795 and 1800, China's opium imports stood at about 4,500 chests per year, with one chest amounting to 63.5 kg of the drug.[96] In the years up to the first opium war, the amount grew to up to 40,000 chests with a value of over 20 million silver dollars per annum.[97] Figure 11 shows an overview of the opium import

[89] Lovell. 2011. 34.
[90] Blistein and Halpern. 2019. 127.
[91] Ibid. 19-21, 35.
[92] Blistein and Halpern. 2019. 137.
[93] Moulder. 1977. 98.
[94] Hunt, Janin. 1999. *The India-China Opium Trade in the Nineteenth Century*. Jefferson: McFarlan & Co. 23.
[95] Deming. 2011. 2.
[96] Yi. 2012. 281.
[97] Greenberg. 1951. 220-221.

statistics for the whole 1800s[98] and indicates that, even despite the opium wars, this rising trend continued for the whole century and by far outpaced the growth of other commodities such as tea or silk.[99] For the British Empire, opium constituted a high profit margin product as there was a huge difference between the costs of production of the drug in India and the actual sale price which encouraged the quick expansion of the business.[100] Another interesting factor about the good was that it also had a monetary function. Opium was light and easy to transport and, therefore, often accepted as a method of payment on the Asian continent. Consequently, tobacconists stated that "opium [was] like gold and [that they could] sell it at any time".[101] As the good was considered illegal in China, it could, consequently, not be taxed and became a popular good to speculate on.[102] Quite obviously, opium was not unaffected by fluctuations in its price. "The average price of a chest of opium in Canton was 1,325 dollars in 1821; 723 dollars in 1825; 587 dollars in 1830 and 648 dollars in 1832,"[103] which meant that fortunes could be made and lost at the same time within a year. For example, anyone who would have invested in the drug in 1839, after Commissioner Lin had ordered the destruction of 20,000 chests of British-owned opium in Canton and the price had sunk to 100 dollars per chest, would have made enormous profits after it had recovered and went up to 1,000 dollars a year later.[104] Therefore, the opium sector continued to be very lucrative not only for the British Empire, but also for individual merchants. Its success enabled the development of a unique trading community in Canton which was composed of both Chinese and British merchants, government officials and smugglers.[105]

By setting the two love stories of the British Empire and China next to each other, one could observe a symbiotic relationship between opium and tea. Both were interdependent on each other as the sales of the opium trade were utilized to pay for the British tea imports. "Without its conquests in India, the Company would simply

98 See Appendix Figure 11.
99 Lin. 2006. 106.
100 Richards, John F. 2002. "The Opium Industry in British India". *The Indian Economic & Social History Review* 39 (2-3): 149-180. doi:10.1177/001946460203900203. Accessed April 19, 2020. 152.
101 Yi. 2012. 282.
102 Yen-p'ing. 1986. 55-56.
103 Hunt. 1999. 67.
104 Ibid.
105 Yen-p'ing. 1986. 112.

have been unable to find the cash to match the ever-rising imports of tea."[106] All these developments had created an increasing number of stakeholders involved in both the opium and tea business who had an interest in keeping it up and running. On the British side, these included the interests of the British government in the revenues from the import of tea. The Indian colonial government and the East India Company were depended on its revenues from opium exports to China as well as from the taxation of the local production to keep the tea trade up and running. Furthermore, also China was interested in keeping its tea sales high to compensate for the high costs of its opium consumption, whereas many of its own merchants but also government officials profited from the trade by taking bribes. Lastly, the Chinese opium smokers also formed an important interest group.[107] In 1833, sales from the drug business amounted to the same number than British and American tea imports. The higher the demand for the beverage, the more opium had to be sold in order to carry the costs and, thus, the export numbers for both goods continued to rise until the opium wars.[108] At that point, however, the opium numbers even exceeded those of the tea trade and the proceeds of opium sales alone were enough to pay for more than the whole tea investment of the Company.[109] The balance seemed to be set off and critics raised their concerns that the legitimate commerce between the British Empire and China was seriously disturbed as "the Chinese cannot take both"[110] which referred to legal British goods and opium.

## B. The Triangular Web in Detail

The historic opium trade between the British Empire and China can be classified as a form of triangular trade that "usually evolves when a region has export commodities that are not required in the region from which its major imports come."[111] This is true for the case of the British Empire which could not compensate for its high demand for

106 Robins. 2012. 152.
107 Moulder. 1977. 102.
108 Hunt. 1999. 23, 173-175.
109 Greenberg. 1951. 14.
110 Marx, Karl. 1858. "Trade or Opium?". *Marxists.Org*. Accessed December 2, 2019. https://www.marxists.org/archive/marx/works/1858/09/20.htm.
111 Wikipedia contributors. "Triangular trade". *Wikipedia, The Free Encyclopedia.* Accessed April 19, 2020. https://en.wikipedia.org/w/index.php?title=Triangular_trade&oldid=947569500.

tea with its own national export goods as they were not popular in China, so India had to be incorporated in the trading network. "Triangular trade thus provides a method for rectifying trade imbalances between the above regions."[112]

The British Empire, which constituted the driving force behind the triangular trade network, was immensely dependent on foreign trade and its colonies, as its own national territory and production was not nearly able to satisfy the exceptional tastes of its people. Commodities such as silk, cotton, dyestuff and hides or comestibles such as sugar, tobacco, pepper, rice, coffee and, of course, tea constituted the country's main imports.[113] China as the main provider of tea and silk was one of the most important trading partners for the British. In fact, it remained at the fourth position in a comparison of the Empire's sixty-two other nations that conducted trade relations. Figure 12 shows a slight upward trend in the value of tea and silk imports in million sterling between the years 1828 and 1858, whereby the quantity of the herb imported significantly supersedes the one of the textile.[114] By contrasting the imports from China to the British Empire with its own commodities going there, the first thing that becomes apparent is that the British export goods could not keep up with the Chinese. 'Singsongs' as well as insignificantly little amounts of cotton manufactures, yarn and woolen goods were the only commodities the British Empire could sell on the Chinese market, whose government was eager to limit foreign imports and stay self-sufficient.[115] In fact, in 1830, Chinese exports to Britain amounted to 3.232 million sterling, while the British could only export goods worth 0.56 million. This trade imbalance between Britain and China remained constant during the early 19th century up to the opium wars. However, one has to keep in mind that the British Empire did not only sell its own domestic goods to the Chinese population, but was also able to rely on the resources produced in its colonies. In the case of China, this mainly meant India.[116] If one looked at India as an independent country, and not a colony of the British Empire, the trade balance of the British would even be in a much worse situation. While the Indians were exporting goods such as coffee, raw cotton, indigo, silk and saltpeter to the island, the British Empire's exports included apparel, books,

112 Ibid.
113 Marshall. 1998. 100.
114 See Appendix Figure 12.
115 Ibid. 334.
116 Ibid. 336.

cotton and woolen products as well as manufactured goods. Unfortunately for the Empire, the Indians had already established their own raw cotton industry, which is why those products were not in high demand overseas, and, therefore, the Indian trade balance showed a surplus against the British. The British Empire unsuccessfully tried to counteract this trend by flooding its colony with its own Manchester cotton goods.[117] However, the surplus in the balance of trade was outweighed elsewhere, namely by a deficit in the overall balance of payments between the two countries. In general, the balance of trade is the most important component of a country's balance of payments which "consist of imports and exports of goods, services, and capital, as well as transfer payments, such as foreign aid and remittances. The sum of all transactions recorded in the balance of payments must be zero."[118] In our case, India had to send back funds such as its annual debt service, loan repayments and private remittances due to the fact that it was the Empire's principal creditor.[119] Therefore, the British Empire milked its cash-cow India in two ways: first, by exploiting India's riches to finance British operations and trade; and second, by "a double sourcing of British exports to China [as] Britain was alone in being able to exchange not only its own goods for its Canton purchases but also those of its Indian territories. Both the double sourcing and the parallel trading helped mask growing trade imbalances with China [for the British Empire] which eventually lead to the Opium war."[120]

Keeping all these observations in mind, the development of China's balance of trade with the British Empire has to be looked at with caution as the Indian trade exchanges have to be taken into account as well. In general, Chinese exports to its neighboring country included sugar, silk and tea, but, in fact, "the only Chinese commodity in demand in India was specie,"[121] which refers to money in form of coins. On the other hand, it imported larger amounts of predominately opium as well as cotton and tin. China was able to keep up its trade surplus with the Empire including its Indian exports until 1810, when the shipments of Indian opium started to outweigh the Chinese profits from the tea and silk sales.[122] Although China started to develop

117 Yen-p'ing. 1986. 21-22.
118 Balance of Payments (BOP). No date. *Investopedia.* Accessed December 3, 2019. https://www.investopedia.com/terms/b/bop.asp.
119 Le Pichon. 2206 10.
120 Ibid. 8.
121 Richards. 2002. 164.
122 Le Pichon. 2006. 12-13.

its own cotton industry in 1818 and was no longer dependent on imports of this commodity, the overall negative trend that started with the boom in the opium trade could not be reversed in the years leading up to the opium wars. Consequently, China had to compensate for the trade imbalance with silver.[123] This development can be observed in Figure 13 which also shows another interesting detail concerning the British-Chinese trade balance. The chart makes a distinction between the business conducted between China and the East India Company as well as between the country and private traders, who increasingly started to be involved in the Canton trade when the EIC's influence started to decrease. If only the Company trade would have been taken into account, China would have actually kept its trading surplus, as it was still exporting more to the EIC than it was importing from it. However, when it comes to the trade with the private merchants, this trend was reversed at a rate at which the private trade could compensate for the Company's losses. The reason for this can be traced back to the fact that the opium trade was gaining momentum during the early 19th century and the business was mainly taken over by private trading houses in Canton at that point in time. [124] This aspect made the private trading community an even more important part in the triangular trade network.

If India had been an independent country, it would definitively have occupied the most favorable position in the triangular trade network. Its balances of trade both with the British Empire and China were in a constant surplus over the early to mid-19th century as India exported more commodities than it imported.[125] An explanation for this continuous positive BoT surplus could be found in the fact that the country was able to produce almost all necessary consumer goods at a very low price. "which kept at least the higher-priced European goods out of the Indian markets".[126] Moreover, as the country's income was not distributed equally among its population, the wide masses did not possess the required level of purchasing power to consume more foreign goods. What stands out is that throughout this time, a shift in the country's foreign trade exchanges occurred. As the British were able to develop their own domestic textile industry and had imposed protective measures to secure its growth, its operations in India shifted towards its China operations and the selling of

[123] Greenberg. 1951. 68.
[124] See Appendix Figure 13.
[125] Le Pichon. 2006. 9-11.
[126] Kumar. 1983. 852

opium which by then made up 40 percent of its exports.[127] The number of exported chests grew from 4,200 to 40,200 between 1809 and 1839, which marked the beginning of the opium wars.[128] As mentioned before, during this time period the opium trade was in a way licensed out to first the country traders, who would later become private merchants and take over the business. Their role in the network could be broken down as follows: "The country traders bought opium and other products in India, carried it to China and exchanged it for specie. Then they turned specie over to East India Company at Canton in exchange for bills of exchange on London or the government of Bengal. It was the simplest and easiest way to transfer their profits back to places where they could be reinvested. The East India Company then used the specie it had collected to pay for the Chinese tea that it was exporting,"[129] which again links the opium to the tea business. The full extent of the triangular trade network can be seen by looking at the Figures 14 and 15 which display on the one hand, the triangular imports of all three countries next to each other as well as their exports, on the other hand.[130] The data confirms that the British Empire's imports from India were at around the same value as its exports, whereas China's exports to the British were significantly higher than its imports. However, this was counterbalanced by the high Indian export surplus vis-á-vis China.

From a global perspective, the triangular trade network can, thus, be summed up like this: Opium as well as some cotton, which was produced in India under the control of the East India Company, was sold to China at its only trading port Canton. Those transactions were usually conducted by country traders and since the 1830s by private merchants who received their payments in advance in silver. Those individuals then exchanged their money for bills of exchange with the Company, which was then able to finance their tea and silk imports, which were shipped back to the British Empire. "These proceeds were also used to buy manufactured British goods, which were exported to India."[131] Or in other words, "China was the creditor of England because of the consumption of tea, silk, and porcelain. England was in turn the creditor of India for various reasons including the requirement to pay revenue and dividends

127 Porter. 1999. 403.
128 Le Pichon. 2006. 19.
129 Moulder. 1977. 101.
130 See Appendix Figures 14 and 15.
131 Hunt. 1999. 67-69.

on East India stock to Britain and also because of a [balance of payments deficit] in favor of Britain. India was the creditor to China because of the opium trade, thus creating a triangular trade network."[132]

## C. Balance of Trade Under Pressure

Achieving a favorable balance of trade was one of the main goals of mercantilist countries between the 16th and 18th century. The British Empire was convinced that it took a surplus in its foreign trade accounts in order to keep its dominant position in the world economy.[133] By adding the opium trade to the commercial relations between the Empire and China, a crucial step towards this goal was made and, for the first time, the balance turned into the British' favor. The British Empire, however, was not content, as it was focused only on the value of its domestic commodities which were exported to China, which was still below its import value, and did not take the revenue from its Indian colonial trade into account. "A modern economist can appreciate that China was buying far more from the company than China was selling to the company. If the Chinese had told the British that China was already running a serious trade deficit with Britain and therefore could not be expected to buy more, the British would probably have understood (although they might not have listened). But the Chinese did not have statisticians of the same standard as the British."[134] From the British point of view, the full potential of the Chinese market was nowhere near exhausted as trade was still restricted to only one single port. As a result, the British were eager to open up the whole country to foreign trade in order to increase their balance of trade surplus on an even larger scale.

The Chinese, on the other hand, were struggling to keep up with the trade volume resulting from the opium trade and, at the same time, they had to fight the political and social consequences which arose from the high consumption of the drug in the country. There had been numerous bans on the importation of opium before, which were never properly executed. However, with the Daoguang Emperor in power, the situation took a drastic turn in 1838 when he decided to appoint Lin Zexu as high

132 Deming. 2011. 10.
133 Blitz. 1967. 41-42.
134 Wong. 2002. 372-373.

commissioner in charge of stopping the illegal opium trade. This decision was probably not only motivated by the desire to put an end to the devastating implications of the drug use and its impact on the country's operations, but the Emperor might also have had China's unfavorable trade balance in mind.[135] "Meanwhile, British policy makers realized that as long as opium was illegal in China, their position remained defenseless. They had to live with the fear that someday China could quite legitimately enforce its prohibition against the drug."[136] This case seemed to become reality in 1839, when the High Commissioner authorized to confiscate more than 20,000 chests of opium in Canton and systematically destroy the commodity by burning and throwing it into the Pearl River, just like the Americans had thrown tea into the sea in Boston 60 years prior. This event marked the turning point in the bilateral trade relations of the two countries, as the British Empire knew that their well-oiled profit-making machine was about to fall apart. With the balances of trade of both the Empire itself and its Indian colony at risk, the Western power decided to send a naval military mission across the world which initiated the first opium war.[137]

Keeping all these developments in mind, it can be argued that the preservation of the balance of trade surplus was one of the main reasons for the British Empire to start a war. Furthermore, a positive outcome would also raise the chances of opening up more of the Chinese market, which would probably further have increased British' revenues. For China, on the other hand, entering the war gave them the chance of setting an end to the fatal opium business and restoring its balance of trade accounts. It would also have solved the problem of the immense flow of silver out of the country, which will be looked at in the next chapter.

135 Lovell. 2011.
136 Wong. 2002. 413.
137 Blistein and Halpern. 2019. 119-120.

## Part III: The Silver Question

*In which silver is introduced as both the main international and domestic Chinese means of payment as well as a contributor to a serious financial crisis*

In part two of this thesis, I have shown that the British Empire, China and India were part of a global economic system which made the countries immensely depended on each other, especially when it came to the exchange of commodities. However, those nations were not only intertwined through trade but also connected through monetary aspects such as the worldwide distribution of silver from the America. The metal served as the leading currency not only in international trade but also became important for domestic markets.[138] The importance of silver for the European-Asian exchange was already stressed in Adam Smith's 'Wealth of Nations', where Smith stated that "the silver of the new continent seems in this manner to be one of the principal commodities by which the commerce between the two extremities of the old one is carried on, and it is by means of it, in a great measure, that those distant parts of the world are connected with one another."[139] The currency was not only crucial for the Western countries who needed it to finance their war expanses and balance of payment deficits with Asia, but also for China when it came to sustaining its prosperity.[140] Before the acceleration of the opium trade in the late 18th century, the country could pride itself which its huge silver reserves that were due to high revenues from its tea exports to the British Empire. However, when opium was introduced to the equation, the situation began to shift and suddenly China found itself in a monetary crisis caused by a devastating silver shortage. The Chinese were convinced that this depression was caused only by the increase in the country's imports of the drug and so the silver question became an important factor in the pre-round of the opium wars.

### A. The Purest Form of Silk

Silver was first introduced to China through the country's trade relationship with its neighbor Japan in the 16th century. The island was a major importer of Chinese luxury goods as well as raw materials such as silk and paid for them with silver. Japan

[138] Glahn. 2018. 83-84.
[139] Smith and Cannan. 2003.
[140] Porter. 1999. 58.

was, however, not the only supplier of the currency as with the Spanish conquest of Latin America, another silver mining hotspot was created. As Japan's silver production had started one decade prior to the one in South America, the island had an early lead in providing the commodity.[141] However, the Sino-Japanese trade exchange was disrupted by various difficulties from the start as both countries had to deal with difficulties such as economic problems caused by bad weather that resulted in poor harvests, competing interests and internal political disruptions.[142] This lead to a ban on the sea trade involving both nations and, subsequently, the smuggling of the currency via foreign traders on sea or land routs through Korea and Burma. As a result, the volume of exchange started to decrease until 1775, when China had to rely on silver from South America only.[143] The Spanish silver dollar, which was also called Carolus dollar, had first reached China in the late 16th century. It was first imported through foreign trade via the Philippines, which had been conquered by Spain. As China's trade relations with other European nations such as the Dutch and later the British Empire increased over the following century, the currency served as the main medium of exchange for Chinese exports of silk and tea.[144]

China's monetary system stood out from the ones of other Asian countries as it solely relied on the private sector, including foreign traders and agency houses, to supply the currency and not produce and mint their own currency.[145] Silver existed in various forms such as specie, which were either silver coins or ingots. Furthermore, it was common practice in China to melt down foreign silver dollars and add slices of their own silver to create sycee silver, a very valuable bullion which was involved in the opium trade. "The Cantonese called pure silver 'sycee' because in their dialect this sounded like the words for pure silk. If pure, the silver could be drawn out into fine threads."[146] There were also two forms of currency used for commercial transactions in China. Coins made out of copper were involved in small domestic business transactions and mostly used by small local merchants on the countryside. While this type of currency was popular among the lower and middle classes, silver was

141 Lin. 2016. 59-61.
142 Atwell, William S. 1986. *Some Observations on the 'Seventeenth-Century Crisis' in China and Japan.* Journal of Asian Studies 45 (2): 223–244.
143 Lin. 2016. 62-63.
144 Yen-p'ing. 1986. 35-37.
145 Lin. 2016. 69.
146 Hunt. 1999. 16-17.

commonly used for larger trade deals and international trade by rich trading houses and the nobility. It was measured in terms of its weight and pegged to the copper coins at a fixed ratio which was one teal of silver (about one ounce) to 1,000 copper coins.[147] In the years up to the opium wars, the importance of silver as a currency significantly increased. It was by then also used for domestic commerce and even the lower classes started to settle their tax payments through this medium of exchange on the emperor's orders.[148] Figure 16 shows the net in- and outflows of silver in the case of China.[149] Until the 1820s more of the currency went into the country than came out as both the European countries and the United States were still paying large sums to China in exchange for other commodities.[150] However, this trend already started to reverse itself in 1804 when the opium trade started to explode and the importation of the drug slowly started to replace the transfer of silver. While in 1810 more than 1,000 tons of the metal had reached China, the amount of silver coming into the country has more than halved ten years later. As a result, by 1826, the former silver surplus of China had turned into a deficit and the flow of treasure was reversed.[151]

Although the booming opium trade has often been accused of being the only culprit in causing the economic depression that followed the silver deficit, especially from the Chinese point of view, other factors had to be taken into account as well in order to fully comprehend the reasons for the following crisis known as "Daoguang Depression" that would last until the opium wars.

## B. The Daoguang Depression

China's negative balance of trade during the 1820s coincided with the Daoguang depression. The trade balance had turned negative for the first time as a result of Indian opium imports exceeding Chinese exports of silk and tea.[152] Consequently, silver flew out of the country to compensate the resulting deficit in the balance of payments and

147 Platt. 2018. 304-306.
148 Yen-p'ing. 1986. 37.
149 See Appendix Figure 16.
150 Yi. 2012. 256.
151 Greenberg. 1951. 7-10.
152 Yen-p'ing. 1986. 121-123.

the British Empire found itself in the role of a silver importing country.[153] At the same time, the value of silver began to raise at extreme levels and the economic crisis affected all of China's social classes. "From the ideal rate of 1,000 copper coins by tael of silver in the eighteenth century it had risen to 1,200 by the time Daoguang came to the throne. […] By the 1830s, some regions were reporting copper-silver exchange rates as high as 1,600."[154] As a consequence, prices in terms of silver collapsed. Merchants went bankrupt and peasants incurred losses due to the decreasing market demand.[155] This development also heavily increased the burden of taxes on the population, as by that time, taxes had to be paid in silver.[156] Furthermore, as prices for commodities deflated, the income of the peasants was reduced, and unemployment went up. As a result, the governments tax revenues from farmers decreased even more and now they also had to spend their income on goods which were getting more expensive. Under normal circumstances, the ruling class could have raised the tax duties. However, the grandfather of the Qianlong emperor had promised during his reign that they would stay the same and Daoguang was reluctant to break this promise even throughout the crisis. On the other hand, he did also not grant any extension to tax payments which could have relived the peasants.[157] Furthermore, the situation became even worse due to climate disasters such as floods which destroyed a lot of the country's agricultural production and infrastructure that could not be repaired as money was lacking. What followed were violent riots and uprisings which had to be contained by the already suffering administration that was keen to find someone else to blame for this mess.[158]

The culprit was soon found in foreign trade and the British Empire. "It has been argued that the chief cause of economic depression in the early nineteenth century was the massive outflow of silver during these years, a reversal of the centuries-long pattern of silver flowing into China as a result of surging opium imports."[159] Silver seemed to vanish into the pockets of foreign merchants and trading houses in Canton and was then transferred back to Europe, which seemed to deprive the Asian power of

153 Le Pichon. 2006.8-9.
154 Platt. 2018. 305.
155 Yen-p'ing. 1986. 122.
156 Lin. 2016. 10.
157 Platt. 2018. 304-311.
158 Lovell. 2011. 37.
159 Glahn. 2018. 98-99.

its dominant position in the world economy. A Western author even remarked that "perhaps nothing could contribute more readily to the final reduction of the Chinese […] than this steady, non-ceasing impoverishment of the country by the abstraction of the circulating medium".[160] It is true that when one country profits from silver imports, the other one has to suffer a deficit in order to even out the balance.[161] China's deficit started in 1826 and continued to increase until the end of the first opium war in 1842 where it reached its peak at 51.33 millions measured in pesos that went out of the country in a 5 year period.[162]

The opium trade played a significant role in the drain of silver that flooded away from China, but foreign traders were not solely responsible for the silver leaving the nation. The Chinese government had instructed its merchants at Canton to conduct their purchases in sycee silver, which also was true for the illegal opium trade, as it was prohibited to export this form of bullion. The idea behind this was to keep the money within the country and to force foreign trading houses to reinvest the money gained from opium sales in Chinese products such as tea and silk.[163] This plan was, however, destroyed by the country's own Hong merchants who only accepted Spanish silver dollars in return for those products as this currency was of higher value to them. So, the British traders had no other option but to smuggle the sycee silver back to England where it could be melted, turned into bullion and sold. The new money that was created was then transferred back to the accounts of the opium trading houses in the East.[164] "Even with the outflow of sycee silver, however, the inflow of Spanish dollars to purchase tea and silk at Canton should have been able to maintain a relatively steady overall silver supply in China."[165] However, the two main importers of silver from Latin America, the British Empire and the United States, switched to a new form of payment which were bills of exchange that were accepted by the Hong merchants. This practice had been already discussed in the trade chapter and its main advantages for the Western powers lay in a cheaper and more secure way of transferring money around the world, whereas China had to deal with a further reduction of the physical

160 Wong. 2002. 374.
161 Blitz. 1967. 41.
162 See Appendix Figure 17.
163 Platt. 2018. 306.
164 Wong. 2002. 374.
165 Platt. 2018. 306.

silver that circulated within its own boarders.[166] “Thus, opium - producing the surplus silver which was partly shipped out of China to India and the United Kingdom and partly transformed into bills of exchange payable there - was an important medium in the 'triangular trade' among China, the United Kingdom, and India.”[167] This shows that not only commodities were shifted around the world in a triangular way, but currency was as well. Furthermore, one could argue that China itself was in part to blame for this pattern as its government insisted on sycee silver being the main medium of exchange involved in the Canton trade.

Although China was quick to blame the opium trade as the main driver for the outflow of silver, a glimpse at the world economy would have shown that silver was in short supply everywhere from the end of the 18th to the beginning of the 19th century. This was due to the fact that most of the global silver production was centered in Latin America, which was affected by various political as well as social disruptions during that period. Starting with the American War of Independence in 1776, the market for the currency was compromised for almost 15 years.[168] Later on, the region was still troubled by revolutions and uprisings which led to the shutdown of certain mines and decreased the worldwide distribution of the currency by nearly half. This drastic decline started in the first decade of the 19th century when the worldwide production of silver still stood at 28,700 thousand ounces and reached its low in 1830 when the number dropped to only 14,800 thousand ounces.[169] This was not only true for silver but also the production of gold which lead to compromised reserves of both metals in China as well as the Western countries.[170] The latter were however, not seriously affected by the global silver crisis, as they were able to switch to alternative forms of payment. Therefore, the introduction of bills of exchange in the Canton trade can be explained by those developments as everybody was short of physical currency. Unfortunately for China, this type of payment options as well as paper currencies would only become relevant at a later point as the country’s trade operations were still totally dependent on the use of silver as the method of payment in the years before the

166 Hunt. 1999. 68-69.
167 Wong. 2002. 375.
168 Greenberg. 1951. 7-10.
169 See Appendix Figure 18.
170 Imlah, Albert H. "British Balance of Payments and Export of Capital, 1816-1913." *The Economic History Review*, New Series, 5, no. 2 (1952): 208-39. doi:10.2307/2591057. 211. Accessed April 19, 2020.

opium wars. The global shortage of silver and gold only recovered by the second half of the 19th century with the introduction of the Mexican silver dollar in 1856.[171]

With the big picture in mind, the economic depression that struck China during the reign of the Daoguang emperor was more likely caused by a global shortage of silver than the increased opium trade, which unfortunately collided with the worldwide currency crisis and worsened the whole situation[172]. As discussed before the Chinese government itself was not able to improve the situation because it stuck to its traditional policies and practices. Furthermore, it was in desperate need of an effective medium of exchange which was not guaranteed by the countries bimetallic monetary system which consisted of silver and copper coins. The government had no control over the supply of silver which was dependent on foreign traders and could only adjust the amount of copper cash that circulated within the country. Although the official exchange rate between those metals was fixed, the actual market exchange rate significantly differed from the pegged one in the decades leading up to the opium wars.[173] This was also caused by the global shortage of silver which lead to a sharp appreciation of silver relative to the copper coin also known as the silver-copper coin crisis. [174] China's only option to fight this imbalance was to reduce the supply of the copper currency as well which failed to produce a satisfying outcome and the value of silver kept on escalating.[175] One factor that could explain why the effect of the copper reduction was not large enough was that the people in China started to hoard silver at the beginning of the crisis, as it became more valuable. This created a vicious cycle as even more silver was removed from the market as a result of the reduction in copper, which did not nearly reach the lever of the one of silver. [176]

With the focus on global developments, the main cause for the Daoguang depression can thus be found in a worldwide shortage of silver. China's monetary economy was immensely dependent on the import of the currency. Therefore, the country was hit by the crisis even harder as all its social classes were affected and people began to hoard money which worsened the situation. The nation was not able to recover from the depression on its own, as its old and insufficient financial and

171 Lin. 2016. 109.
172 Ibid. 110-111.
173 Yen-p'ing. 1986. 34.
174 Glahn. 2018. 102.
175 Lin. 2016. 10.
176 Wong. 2002. 374.

policies regarding the Canton trade led to an increased illegal outflow of silver to Europe. With the opium trade gaining momentum at the same time as the crisis was kicking in, the Chinese government was quick to point a finger at the supposed culprit and not able to see the big picture. Only "with the revival of gold and silver production and rapid growth of tea and silk exports in the 1850s, silver once again began to flow into China"[177] and the economy was able to recover.

## C. Means of Solution

The consequences of the Daoguang depression could be felt all over China and triggered social unrest that put even more pressure on the Chinese government. The emperor's advisers were eager to find a solution as the crisis also depleted the royal silver stocks in order to keep the country up and running.[178] As shortening the supply of copper coins did not bring the expected results, Daoguang insisted on focusing on what was in his eyes the main culprit, the opium trade.

In 1834, he instructed his advisers to come up with a plan on how the drug trade could be completely eradicated at minimum costs. However, his group of experts were well aware that the opium trade could not be the only cause of the silver crisis. Moreover, they considered a total shutdown of the business unwise as it could provoke a war with the British Empire. They knew that "China had no capacity to fight. Such warnings were confined by the relative ease with which [Lord] Napier's two gunships had forced their way past the Tiger's Mouth forts [in the cause of a British trade mission], bringing home in shocking fashion the unpreparedness of Chinese forces to hold off Britain's ships of war, for those forts were supposed to be the strongest point of defense on China's southern coast."[179] With this threat in mind, some advisers turned to the emperor with a different approach. Lu Kun, a Chinese government official, was bold enough to propose legalizing the opium trade. He based his advice on an essay titled 'The Alleviation of Suffering' from Wu Lanxiu, a Chinese scholar who was convinced that in lifting the ban the smuggling of the drug would stop and

177 Glahn. 2018. 99.
178 Lin. 2016. 24.
179 Platt. 2018. 308.

silver could be kept in the country. [180] Making opium legal would furthermore allow the government to tax the drug imports and so the government could make huge profits from the business. On the other hand, he argued that by cutting out the British Empire from the Chinese market, the problem would not be solved as the void would quickly be filled by another country. Moreover, a full exit from foreign trade would not only deprive China of its revenues from the production of silk and tea but also eliminate tens of thousands of jobs of local people who are employed in the foreign trade sector. Thus, making the opium trade a full part of the country's commercial relations would actually profit China and could potentially stop the drain of silver. However, the emperor did not listen to Lu Kun and imposed even harsher restrictions on the drug business in 1834.[181] Two years later, the royal advisers proposed opening up the opium market once again. This time, they stressed that the drug should only be allowed to be consumed by the common population and not by government officials or people employed in strategically important positions for the country. Surprisingly, Daoguang at least considered this proposal initially, but then stuck to the more conservative strategy of threatening to exclude the British Empire from the Chinese market.[182]

With this step, the Daoguang emperor probably rejected the only approach that could have prevented a violent dispute with the European power despite the advice of his economic experts. China's focus on the opium trade as the main culprit for the metal shortage made them close their eyes from the more serious origins of the financial crisis which were mainly due to global developments on the currency market. Of course, the introduction of opium as a commodity that could keep up with the tea trade effectively deprived China of its main source of income in form of silver. More importantly however, silver was in short supply everywhere, and therefore, countries such as the British Empire and the United States switched to bills of exchange and paper money which effectively reduced the amount of the metal that had usually flown into the Asian nation. By focusing on the bigger picture, China could have effectively battled the Daoguang Depression by replacing their outdated bimetallic monetary system with those alternative means of payments, similar to its main trading partners.

180 "Mihain by Wu Lanxiu". In "Lu Kun memorial of DG14/10/3 1834". In Qi Sihe at al. *Yapian zhanzheng*. 1955. Shanghai: Xin zhishi chubanshe. 6-7.
181 "Lu Kun memorial of DG14/10/3 1834". In Qi Sihe at al. *Yapian zhanzheng*. 1955. Shanghai: Xin zhishi chubanshe. 118-119.
182 Platt. 2018. 328.

Nevertheless, this chapter showed that the silver question was an important subject for which China was willing to risk entering into war with the British.

## Part IV: The Breakdown of the Canton System

*In which the logistics of the opium trade in form of the Canton system, its flaws and deficiencies as well as the emergence of the British private traders as a key political and economic interest group are examined*

In the midst of the Qing era, China's policy towards foreign trade experienced yet another tightening when the emperor decided to shut down all ports and limit foreign commercial relations to one single harbor, the city of Guangdong, also known as Canton. The aim of this decision was to achieve maximum control over foreigners who were coming to China and establish a universal and functioning system of collecting port taxes that would fill up the royal treasury.[183] Before 1757, Macao was the most important trading hotspot in the country, but as the British Empire replaced Portugal as the leading European nation in regards to foreign exchanges and the overall volume of trade began to increase, it became more difficult to monitor the incoming vessels and collect customs. Canton's special geographical position of being an inland harbor in the South-East which was cut off from the rest of the empire made it much easier to control the situation and soon, a unique system of trade was established.[184]

"The Canton system was like a huge machine, with thousands of little parts that worked independent of, but in concert with, each other to move trade forward."[185] The machine was driven by a well interlinked network of local and foreign merchants, administrators and middlemen who were all assigned different roles that kept the system going. The city's trade was controlled by the Chinese Hong merchants which were in fact a number of trading families. In the early years of the Canton trade, they exclusively conducted business with EIC officials.[186] Although the opium business was officially prohibited, the Hong merchants profited immensely from the drug trade during its golden period and made their living from accepting bribes.[187] The retreat of the East India Company at the beginning of the 19th century then allowed private trading houses, led by British businessmen, to flourish in the city and take over complete control of the opium trade. Those merchants also had a lot of power, as the

183 Le Pichon. 2006. 10.
184 Van Dyke, Paul A. 2005. *The Canton Trade.* Hong Kong: Hong Kong University Press. 6-9.
185 Ibid. 165.
186 Yen-p'ing. 1986. 20.
187 Greenberg. 1951. 110.

Chinese were depended on their drug supplies whereas the British profited from their sales.

Both the Hong merchants and the private trading houses were deeply entangled in the opium trading network and had a huge influence when it came to price setting, tariffs and taxing of the legal commerce.[188] However, with great power came more greed and the machine stalled due to increased levels of smuggling and corruption as well as a lack of administrative oversight on both ends. These developments would eventually lead to the breakdown of the Canton system and heat up the tensions before the beginning of the first opium war.

## A. Weaving the Net

*"If you stand outside the wall, it is impossible to gauge the size of the city. Canton is built on a plain, so the low, flat buildings of brick and wood that lie inside are invisible from where you stand. The gates creak open each morning at dawn and close again each evening around 9 p.m. Not that you will be allowed in. As a foreigner you are stopped at the gate and turned away. You will not see the dense brick houses with their sloping tiled roofs, the vast examination hall with its thousands of cells, the lavish mansions, the temples, the gardens, or the government offices that lie within."*[189]

The first one of the Canton system's principal aims was to effectively control foreigners on Chinese territory by depriving them of almost all their privileges.[190] They were only allowed to conduct business during the official trading season which lasted only for four months from September or October until January. While positioned in Canton, foreign traders were confined to a small riverbank area outside the city wall where they resided in thirteen warehouses also called 'factories', according to their nationality.[191] This place was also referred to as the "Canton Colony, a place where Europeans could pretend, they were still living in Europe and the Chinese could, for the most part, pretend they didn't exist."[192] Although they were allowed to design the

188 Yen-p'ing. 1986. 32-33.
189 Platt. 2018. xvii.
190 Greenberg. 1951. 46-47.
191 Marshall. 1998. 490.
192 Blistein and Halpern. 2019. 109.

inside of their factories according to their own standards which included adding impressive hallways, libraries and tea rooms to the interior, "residents [felt] like they had volunteered to become prisoners there."[193] This was due to the fact that besides wandering the polluted and filthy warehouse and parts of the local suburbs, European traders were forbidden from ever experiencing life behind Cantons city walls and discovering the heart of Chinese culture and traditions. Foreign traders in Canton did not only have a hard personal life but were also forced to conduct their business operations under challenging circumstances. With the selection of Canton as China's only port open for trade, eight further regulations regarding foreign exchanges were imposed by the Chinese government. They included the prohibition of warships entering the Pearl River as well as smuggling and the opium trade. They also regulated the living situation of foreign merchants in their factories and banned them from entering the city and oversaw the hiring of local agents involved in the trade operations. Those included the involvement of linguists to interpret during business meetings and compradors who handled domestic arrangements. They were also not allowed to hand out loans to the Chinese merchants.[194] Furthermore, all incoming boats had to anchor at Whampoa, 13 miles outside Canton, in order to get their cargos inspected before moving up the river.[195] Lastly, foreign traders were forbidden from engaging in trading procedures with the imperial government itself and had to keep their business operations limited to their assigned Hong merchants and other middlemen.[196] All these precautions were taken by the Chinese government with the intent of keeping the contact between the Chinese population and the foreigners, who were considered to be foreign devils, to a minimum as they were afraid that they would interfere with their traditional Confucian values.[197] Because of this the Chinese emperors were also eager to prevent their 'guests' from learning their language and issued high penalties for locals who would even dare to act as language teachers. From a business point of view, this strategy also made sense to them as foreigners had to depend on linguists who came from the Chinese side during trade negotiations. As a result, they had to make commercial decisions with asymmetric information.

193 Platt. 2018. xviii-xxii.
194 Greenberg. 1951. 57.
195 Collis, Maurice. 1997. *Foreign Mud*. London: Faber & Faber. 6-7.
196 Marshall. 1988. 490.
197 Yi. 2012. 261-262.

However, this trade restriction posed the same disadvantages for the local merchants as they themselves were not able to find out which private trader would offer them the best business deal.[198] The problem could be slowly circumvented after the Chinese merchants started to develop a hybrid dialect which was a mixture of English and other European languages with Cantonese grammar, called 'Pidging English'. Phrases such as 'Long time, no see' can be traced back to the Canton trade.[199] Furthermore, protestant missionaries who were involved with the East India Company were able to acquire a good command of the Chinese language during their tours throughout the country and, therefore, often served as translators. The most famous of them, Karl Gützlaff, was also suspected of being a central figure in the opium trading network, as his language skills and knowledge of the Chinese culture allowed him to take an active part in trade negotiations.[200]

Apart from monitoring foreigners on Chinese soil, the Canton system's second goal was to generate a both effective and lucrative custom system that would fill up the royal treasury. Before foreign commodities would actually arrive in Canton, they had to go through a tax marathon that would start at Macao, where the first duty was collected. Then, a local river pilot would be assigned to each vessel and guide it up the river past additional small custom stations until it would arrive in Whampoa, another trading outpost which was still 12 miles from Canton. For many foreign ships this was the final destination as they were considered to big to continue the journey to Canton, and so, many of them became floating warehouses.[201] At Whampoa, the biggest and final part of the port, duty had to be paid which was calculated according to the size and length of merchant ships as well as a commodity tax. Those sums lay between 400 and 1,400 liang, of which the 'Emperor's discount' was subtracted as a gesture of goodwill.[202] Afterwards, there was a 12% duty that would go to the Hoppo, the chief revenue commissioner, as well as its servants and additional 7% were charged to compensate for difference in alloy content in sycee silver that was later used as payment. Finally, the foreign traders were also forced to pay a substantial amount to the Chinese emperor, which was called 'Emperors present'. Figure 19 shows a detailed

198 Asymmetric Information. No date. *Investopedia.* Accessed April 4, 2020. https://www.investopedia.com/terms/a/asymmetricinformation.asp.
199 Platt. 2018. xviii-xxii.
200 Platt. 2018. 210.
201 Blistein and Halpern. 2019. 105-107.
202 Yi. 2012. 265-267.

summary of all those port custom calculations for the ship *Duifje* in 1730.[203] After the payment of the port fee, the goods on board of foreign merchant ships were loaded to smaller Chinese chop boats which transported them to Canton. On their way to the city they had to stop at three additional custom houses where import and export duties had to be paid. They were calculated in a similar manner as the port fees and were fixed to a unit of measurement und not the actual worth of the commodity that was traded itself.[204] As the trade volume started to expand, all tax duties continued to slowly increase over time, but not to a disproportionate extent. Apart from the official trade duties, many Canton merchants also demanded a small illegal sum known as 'guili' in exchange for small favors such as the acceleration of business proceedings.[205]

By studying the two principal aims of the Canton system, it becomes apparent that the main actors involved in the trading network were on the one hand, the Chinese Hong merchants along with their subordinates, and foreign traders. Only a few decades after the creation of the Canton trade they had established a mutually beneficial system of conducting business and "few men were considered better diplomatists [at that point in time]."[206]

### i. The Hong Merchants

The Hong merchants constituted a group of twelve Chinese businessmen in Canton that were selected by the government to handle China's foreign trade exchanges. The collective, which was also called Cohong, was therefore responsible to conduct all import and export transactions with foreigners, supervise their trade deals and was liable for all payment due by them.[207] "All goods imported from other countries were underwritten by it; all goods exported to other countries were purchased by it. It was also responsible for setting the prices for cargoes imported and exported."[208] A huge portion of their earnings had to be transferred to the royal treasury. Furthermore, the Hong merchants also fulfilled a political purpose as they were responsible for forwarding all official correspondence from foreign merchants to the royal court in

203 See Appendix, Figure 19.
204 Van Dyke. 2005. 10-11, 22-23.
205 Yi. 2012. 265.
206 Wood, William W. 1830. *Sketches of China.* Philadelphia: Carey & Lea. 209.
207 Le Pichon. 2006. 14.
208 Yi. 2012. 261-262.

Beijing and also act as diplomatic negotiators between the two parties.[209] Unlike the East India Company, the members of the group still acted individually and were responsible for their own accounts. Sometimes, this conglomerate was also compared to European trading guilts. However, becoming a member of the Cohong was most of the time not voluntary as the merchants were particularly chosen by the upper classes and being part of the Cohong was often considered a burden. In China, people employed in the commercial sector did not gain the same social status and prestige as civil servants and their careers were often short-lived as debts and bankruptcies were ever-present. In order to tackle the problem, the government decided that the whole Cohong had to step in and pay any debts that were over 100,000 taels.[210] Nevertheless, some Hong merchants managed to acquire substantial fortunes. Howqua, probably the most famous of all of them, was rumored to be worth over 26 million of Spanish dollars until he passed away one year after the first opium war in 1843.[211]

The Cohong was controlled by a single revenue commissioner, the Hoppo. “This ‘Hoppo’ had a dual role: first, to ensure that the barbarian merchants were kept in a subservient position; and second, to squeeze as much revenue out of them for the direct benefit of the emperor.”[212] Thus, the Cohong was his direct link to those foreign merchants. The role of revenue commissioner was created in 1760, soon after Canton was made the single port open for foreign commerce, and the appointment was limited to three years. Unlike the Chinese merchant community, which had prior experiences in conducting business and was often educated in this profession, the Hoppo usually came from a wealthy family with no past experiences in this field.[213] The commissioner was directly employed by the royal court, but did not receive any salary per se. Therefore, the Hoppo had to derive his income from tax duties collected from port duties and commodity fees. They usually charged around 12% per shipment.[214] Those rates basically remained the same over the whole period until the first opium war as the Hoppos were eager to match or even supersede the amount of income that was transferred to the royal treasury in Beijing. “Therefore, in practice, Beijing was

209 Ibid.
210 Greenberg. 1951. 50-56.
211 Robins. 2012. 150.
212 Ibid. 150.
213 Le Pichon. 2006.14.
214 Blistein and Halpern. 2019. 109.

the only authority that could make fundamental changes to the conduct of trade”[215] but they were also reluctant to do so as their goal was to maintain the foreign trade which had become one of the main sources of income for the country by creating uniformity. “If monopolizing and price-setting had been allowed to continue in Canton, then the foreigners might have been reluctant to return.”[216] The only thing that Beijing was indeed concerned of was the increasing amount of silver that was drained out of the country. As Chinese experts were convinced that this could only be the fault of foreign commerce, the Hoppos were advised to strictly monitor the silver flows in and out of Canton and prevent any smuggling or illegal activity regarding the currency exchange.[217]

Apart from being in charge of the Hong merchants, the Hoppos also had to supervise three other types of agents involved in the Canton trade, namely river pilots, linguists and compradors.[218] The first group were also called ‘Macao pilots’ as they were responsible from navigating foreign ships from Macao up the Pearl river and making sure that they would fulfill all the customary requirements before anchoring at Whampoa. They also had to make a detailed summary of the vessel’s cargo and crew and forward this information to Canton. At Whampoa, their tasks were taken over by linguists who acted as middlemen between the Hong merchants and the private traders by negotiating “the terms of trade with foreigners, establish the parameters of trade with Chinese authorities, and then arrange for an audience with the Hoppo.”[219] They were also responsible for settling any trade disputes that came up during negotiations. The compradors on the other hand were mainly involved in organizing the foreigner’s private affairs such as accommodation and the provision of food and other services and were stationed next to their warehouses on the Canton riverside.[220] Besides trading with the Hong merchants, there were also smaller shopmen who were only allowed to “trade goods deemed inconsiderable for the Hong merchants.”[221] They were nevertheless often involved in illegal bigger business deals and smuggling activities and the Cohong was not responsible for handling their debt. Thus, in order to eradicate

215 Van Dyke. 2005. 8.
216 Ibid. 16.
217 Ibid 101.
218 Le Pichon. 2006. 14.
219 Van Dyke. 2005. 23-24.
220 Le Pichon. 2006. 14.
221 Greenberg. 1951. 55-56.

any illicit trade, the Chinese government also employed 'tidewaiters' who were responsible for patrolling the trade activities in the Pearl river. However, everybody in Canton had his price and so those illegal activities became an important part of the Canton trade.[222]

ii. The Private Trading Houses

In the early days of the Canton trade, the East India Company was the main trading partner of the Chines Hong merchants. Every trading seasons, a group of twelve Company officers also known as 'supercargoes' were sent to the British warehouse in Canton where they engaged in trade activities. Initially, those foreign traders had to adapt to this totally different way of conducting business and struggled with China's harsh policies and restrictions against them. However, after a while they grew accustomed to the new proceedings and could strengthen their position in the trading network as they began to realize that China was depended on the money derived from their purchases of tea and later also developed a taste for opium of which the EIC was the main provider. When the Company's trading monopoly came to a close in the early 19th century and its own officials were allowed to trade at their own accounts, many of them founded private trading houses that would soon take over the Canton trade.[223]

This group of quasi free merchants, "armed with a theoretical knowledge derived from Adam Smith and his followers that a restrictive commercial system was irrational and ingenious"[224], was able to expand its influence through the opium trade and establish a powerful community of foreign merchants in Canton. This group was led by William Jardine, who used to be a surgeon in the service of the East India company and later turned out to be an even more talented businessman. He was a devoted and hardworking man who always followed his own principles and was especially skilled at reading his counterparts during trade negotiations.[225] "Jardine was [also] referred to as an Iron headed old rat as he was once clubbed hard on the head from behind but did not so much as even turn around."[226] Together with his business partner James Matheson, who he met in 1820, he founded the most successful private

[222] Blistein and Halpern. 2019. 105-108.
[223] Greenberg. 1951. 18, 41-42.
[224] Ibid. 73-74.
[225] Le Pichon. 2006. 21-22.
[226] Hunt. 1999. 58-59.

trading house in Canton, Jardin, Matheson & Co. Matheson came from a wealthy family back in Scotland and brought valuable business connections with him. Unlike Jardine, he was bolder and more risk-taking when it came to business decisions and could easily win over his counterparts during trade negotiations with the help of his charisma.[227] "There hardly ever seemed to be a difficult business, political, or human situation which could not be solved or at least disentangled, by the combined power of his keen intellect, his desire to be helpful, and his considerable personal charm."[228] The strengths of both men, which complemented each other perfectly, as well as their open-mindedness towards conducting deals not only with British but also Indian and American business partners helped to further their success. Before the beginning of the first opium war, William Jardin already laid down his Canton duties and went back to London, where he served as a member of the British parliament and an expert on the China trade. His business partner followed him in 1843, and the management of the trading house was passed on to their sons.[229]

The establishment of the private trading houses in Canton was one of the main reasons for the rapid increase of the opium trade in the early 19th century. "Their directors and ships' officers had to be expert judges of the economic and logistic factors involved in getting Indian opium quickly, safely and at a good profit into the hands of Chinese smokers."[230] Although the business was officially deemed illegal, those private merchants developed certain strategies with the help of local businessmen in order to ship the drug into the country and were able to profit from the very lucrative business.

An opium smuggling routine had developed under Jardine and Matheson's lead in the early 19th century starting with the drug being purchased by private traders from the Company in India. Afterwards, the opium was shipped to Whampoa, where government officials had to be bribed in order to smuggle the drug further up the river onboard of Chinese smug boats which the anchored on shores close to Canton. [231] This procedure was not new as already "by 1798, the smuggling at Whampoa had become so regular that the captain of the private Danish ship Fredriks Nagor had the audacity

[227] Platt. 2018. 199-202.
[228] Le Pichon. 2006. 26.
[229] Hunt. 1999. 59.
[230] Ibid. 57.
[231] Greenberg. 1951. 136-139

to set up an opium warehouse business there."[232] Other methods of getting the drug directly to the warehouses in Canton included shipping it onboard of vessels filled with rice, as China was suffering from a severe food shortage at that time and was not willing to slow down the delivery of this commodity by time-consuming inspections of the cargo of these boats.[233] Furthermore, higher ranking foreign officers were allowed to enter the city in service boats without having to stop at any tollhouses on the way, which also allowed them to smuggle small amounts of opium with them.[234] After 1821, China imposed harder restrictions on the illegal opium trade which effected both the drug's import into the country as well as its distribution once it was inside of China. The trading houses now instructed their carriers to ship the drug to the Lintin islands, which were located at the outer anchorages of Canton. Furthermore, from this point onwards, less Hong merchants were involved in the opium trade as they feared hash punishments if they were caught being involved in the illicit trade and so the smaller shopmen had to take over.[235] While opium was smuggled into Canton via the outer anchorages, sycee silver, which served as the method of payment for the drug, was transported out. This was also illegal as the silver was banned from being exported out of the country due to the Daoguang silver crisis.[236] In the years leading up to the opium wars, the drug business was reaching new heights and Jardine, Matheson & Co. was bold enough to penetrate 'unknown' waters by shipping the drug up along China's East coast where they found new distribution markets. They were able to charge even higher prices for the drug there as those regions had no real alternatives of getting ahold of opium from anywhere else and so those price differences could be as high as 150 dollars per chest. However, the price fell again as other competitors followed their example and soon more than 30 vessels were stationed on this route.[237]

Overall, it can be argued that the private trading houses with their free trade principles in mind and their involvement in the opium trade, brought a breath of fresh air to the Canton system and substantially contributed to its development. One more milestone that has to be emphasized in this regard was the foundation of the city's first

232 Van Dyke 2005. 129.
233 Blistein and Halpern. 2019. 108.
234 Van Dyke 2005. 19.
235 Yen-p'ing. 1986. 115-118.
236 Greenberg. 1951. 48-49.
237 Yen-p'ing. 1986. 118-121.

newspaper, the *Canton Register,* which for the first time allowed the British merchants to profit from news on the day-to-day trade operations and reduced the problem of asymmetric information distribution.[238] “This opening of the information available quickly led to the formation of new ideas and means to bring change to the China trade. China, on the other hand, was not paying attention to these changes in the environment, but continued to depend on the status quo, the Canton System,”[239] which would ultimately proof to be a fatal mistake. And soon, the first cracks in the foundation of the system would become visible.

## B. A Crumbling Façade

After decades of following more or less the same well-established business routine, the Canton system began to crumble in the 1830s and ultimately collapsed with the first opium war. The distortion of ordinary market proceedings due to illicit trade activities, the problem of Hong debts, a lack of administrative control and proper trade policies as well as technical advances and innovations are often named as reasons for its breakdown.[240]

With the opium trade turning out to be one of the most lucrative businesses of the time, more and more people wanted to secure their share of the cake. Both the private traders as well as the Chinese merchants themselves were aware that the drug trade was illegal, but could not resist the temptation of generating their own fortunes out of it.[241] The topic of the prohibition of the drug was a common topic amongst the Canton trading community and many articles of the newly founded newspapers started off with sentences such as “most of our readers know that opium is strictly forbidden by the laws of China.”[242] However, as there were practically no measures of enforcement against foreigners involved in the drug trade, this interest group could continue to engage in the business without any fear.[243] For the Hong merchants, the situation changed after 1821, when China imposed harsher restrictions on domestic involvement in the opium trade and several of them had to pay fines around 5,000

238 Platt. 2018. 199-202.
239 Van Dyke. 2005. 109.
240 Ibid. 1.
241 Platt. 2018. 205-206.
242 Matheson, James and Morrison, Robert. 1828. “The Opium Trade”. *Canton Register.* Canton.
243 Greenberg. 1951. 110-112.

pounds after they were caught smuggling the drug into the city.[244] Nevertheless, those measures were not enough to even slightly decrease the amount of opium circulating in the country as smaller shopmen began to take over the part of the Hong merchants and corruption and bribes were ever-present. “Compradors became closer to foreigners who paid their salaries and eventually their license fees than to the Hoppo’s men. [Furthermore], the Linguists role as financial adjuncts to duty collection was being undermined by the growth of hidden opium trade whilst their translation and communication function was being overtaken by prevalence of pidgin English for the conducting of mercantile transactions.”[245] Furthermore, as merchants did not have any respectable status in the Chinese society, they started to put their own interests first and turned towards corruption to increase their wealth and power.[246] The hash increase of illicit activities surrounding the opium trade had devastating consequences for China, which found itself in a serious depression at that time. As opium was deemed illegal, the commodity could not be taxed, which deprived the nation of a valuable stream of income that could have filled the royal treasuries. Silver, on the other hand, was taxed, but the amounts that were used to pay for the opium deliveries were traded illegally and could therefore also not be charged with duties.[247] The opium smuggling also made it harder to keep track of how many people were actually consuming the drug until a significant amount of the Chinese population became addicted and the government finally had to intervene to stop this trend. This led to the appointment of Lin Zexu as imperial commissioner to Canton in 1838 whose instruction to confiscate every single opium chest circulating in the city effectively disrupted the status quo.

Another problem which involved the Hong merchants were their frequent bankruptcies and debts that resulted from their lack of liquidity and struggle to borrow money from the state. Although it was technically prohibited to accept loans from foreigners and, thus, become financially dependent, the Chinese traders did not follow this rule and frequently borrowed money from their business partners. This practice increased with the expansion of the opium trade.[248] The reason for the Chinese traders’ shortage of money and their need for foreign loans in the first place was due to the

244 Yen-p’ing. 1986. 115.
245 Le Pichon. 2006. 15.
246 Yi. 2012. 265-267.
247 Van Dyke. 2005. 117-120.
248 Greenberg. 1951. 61-71.

non-existence of a Chinese national credit system. The foreign merchants, who were far more experienced in the banking business, were, therefore, happy to step in, especially as they could demand high interest rates that came along with these credits. Those additional fees often proofed to be fatal and led to several bankruptcies.[249] The Chinese government was well aware of this problem, but did not stop the foreign credit system, as they knew how important foreign trade was for their own income, especially during the Daoguang depression. Because of this, they also had to come up with a solution for cases of bankruptcies in which the family or business partners of an indebted Hong merchant were not able to cover his debts. Thus, it was decided that the whole Cohong would be made liable in such cases in order to keep up a smooth continuation of the foreign trade. “Their priority was [however], to pay government fees and duties first and then pay foreign debts.”[250] The Chinese court was also pressured to act by the governments of the foreign merchants. Unlike the Chinese government, these foreign governments stood behind their traders and were willing to take more drastic measure to enforce their rights such as official complaints and the threat to dispatch warships. This threat would eventually become reality in 1839, when the British Empire saw no other solution as to go to war in order to settle their trade differences once and for all.[251]

The Canton system was not only weakened by its internal problems, but also influenced by innovations and modernization on a global scale. The first invention that put the old system under extreme pressure was, as has already been mentioned, the introduction of newspapers led by private trading houses. It effectively contributed to the unification of foreign traders in Canton, who were now able to profit from each other’s knowledge about the trade proceedings going on in the city and also helped them to make their business decisions with all the relevant information.[252] Apart from the development of the press in Canton, another innovation from the West started to threaten the Chinese military defenses, namely the steam boat. It made the tasks of local river pilots obsolete as “this machine enabled foreigners to penetrate shallow rivers and streams that were inaccessible to large, wind-driven craft. In addition, because the steamer had its own source of power, it was not dependent on the winds,

[249] Yi. 2012. 268.
[250] Van Dyke. 2005. 97.
[251] Yi. 2012. 269.
[252] Platt. 2018. 200-202.

currents or tides, as were the foreign sail ships and the Chinese junks."[253] Those new vessels made it easier to smuggle commodities in and out of the country, especially as new trading routes along the East Coast of China started to evolve. Those ships would later on also prove to be one of the major advantages of the British Empire during the opium wars, as China's outdated naval fleet could hardly keep up with the British steamboats.[254]

What underlies these major problems and developments that brought down the Canton system was China's conservative trade policies that and the general lack of functioning economic supervision system that could keep the commercial proceedings under control. The government in Beijing was simply unable "to change policies and practices to accommodate and address the long-term viability of commerce."[255] Furthermore, it did not keep close track of what was going on in Canton and relied too much on their local agents. Those actors, however, became too comfortable and greedy with their newfound wealth and failed to adapt the system to the development of new technologies and changes in the world economy such as price inflation or the global shortage of silver. "In a static world with constant demand, no changes in economic trends or attitudes and no great differences in technology or production, it was perhaps unimportant to keep close watch on all aspects of the trade and environment. But that was certainly not the position in eighteenth- or nineteenth-century Canton. By failing to preserve a detailed account of its track record, the Canton System guaranteed its own failure."[256] The nations numerous renewals of the opium prohibition policy as well as their ban on the export of silver were mere attempts of treating the symptoms, rather than the causes of the breakdown of the Canton system which was in need of stricter oversight in order to eliminate corruption and a modernized trade policy.

## C. A Call for Action

On the Chinese side, increased smuggling and corruption activities that furthered the opium trade and ultimately lead to the breakdown of the Canton system encouraged the royal court to take more drastic measures in order to regain control. By appointing an imperial commissioner, who instructed a siege of the opium traders in Canton in

253 Van Dyke. 2005. 111.
254 Le Pichon. 2006. 15-16.
255 Van Dyke. 2005. 1-3.
256 Ibid. 179.

1839 as well as the destruction of 20,000 chests of opium, tensions between China and the British Empire were effectively increased and the threat of going to war by the latter would soon become reality.[257]

This decision was not only encouraged by Britain's need to restore its pride after these incidents, but also by a certain interest group that had expanded its influence up to the highest authorities in London and had made powerful alliances on their way there. Those were the private merchants and trading houses in Canton. They were mainly led by successful British businessmen who either came from wealthy families and were already well connected amongst the high-ranking British authorities or had built up their network through their commercial activities. The opium trade helped the British Empire to finally generate a surplus in the country's trade balance with China and the nation was therefore heavily in debt to the private traders.[258] They already developed a taste for petitioning for their rights in 1778 when they were still under total control of the East India Company. Back then, they approached the supercargoes in their Canton factories with their lists of demands who then tried to negotiate these terms with the Hong merchants.[259] Later on in 1830, "while still subject to the Company's rule, they had formulated their demands in a petition to parliament. What they called for was 'a new commercial code', which would place the China trade on a 'permanent and honorable basis'"[260] and was signed by forty-seven British subjects. As the private traders were driven by Adam Smith's free trade principles and their thirst for profit, it was of great importance to them to open up more of the Chinese market in order to profit from the benefits of free market exchange. There was, however, no direct reaction to this first petition in 1830 as the British government was reluctant to disturb the smooth flow of trade that had been established at that point.[261] Nevertheless, they later responded to their demands by sending out another trade mission to China in 1834, led by Lord Napier, in order to discuss an expansion of foreign commerce. However, like the previous attempts to find a common ground in trade negotiations between China and the British Empire, this delegation was doomed

257 Lovell. 2011. 69-95.
258 Wong. 2002. 375.
259 Chen, Song-Chuan, and Chen, S.-C. 2017. *Merchants of War and Peace: British Knowledge of China in the Making of the Opium War*. Hong Kong: Hong Kong University Press. 104.
260 Greenberg. 1951. 74.
261 Chen and Chen. 2017. 106.

to fail. [262] The private traders continued their efforts in demanding more drastic measures in order to force China to open up, which was illustrated by an article in the *Canton Register*, where they demanded the opening of five additional trading ports whose location would facilitate the silk and tea trade.[263]

The two most prominent and influential figures behind these lobbying campaigns were William Jardine and James Matheson, the founders of Canton's most successful private trading house, Jardine, Matheson & Co. Matheson's first encounter with Lord Palmerstone, the British Foreign Secretary, who was considered the strongest ally that could represent the interests of the private merchant community in Canton, went back to 1835. At this point, the Canton trader first brought up the topic of the China trade and the wish for British interference to Palmerstone, who was reluctant to take action at that point.[264] Matheson urged the need for justice for the private trading community in Canton, which was suffering losses from several bankruptcies of Hong merchants and more severe prohibitions against the opium trade. Palmerstone's answer: "Ah! You are like the rest, do not know what justice is; you fancy justice is getting it all your own way"[265], was then actually printed in the *Canton Register* and further stirred unrest among the British private traders in China. When China resorted to more drastic measures against the opium trade, the private trading houses were caught by surprise. After the private merchants were besieged and their opium confiscated in 1839, James Matheson descripted the events in a letter to his business partner who was in London at the time: "You will receive with this the outstanding intelligence of the Chief Superintendent and all foreigners at Canton, having been placed in durance by the Chinese government to extort the surrender on pain of death, of all opium under their Control for the purpose of being destroyed; and 20,283 chests of the drug are accordingly in course of delivery, being the quantity given up by the British subjects."[266] What followed was the actual destruction of the confiscated amount of opium by Lin Zexu in May 1839 and the British merchants urged Lord Palmerstone to intervene by stating that "the disappearance of this medium of return for our exports to India […] is causing us to suffer most serious inconvenience and may eventually

262 Platt. 2018. 308.
263 Matheson, James and Morrison, Robert. 1834.
264 "James Matheson in London to William Jardine in Canton, August 1835". In Le Pichon. 2006. 270.
265 Matheson, James and Morrison, Robert. 1836.
266 "James Matheson in Canton to William Jardine in London, May 1839". In Le Pichon. 2006. 357-372.

entail very severe losses upon us."[267] The merchant community was hoping to at least be compensated for their losses, either by the Chinese or the British government itself, which was actually proposed by Charles Elliot, the British Superintendent of Trade with China.

At this point, Palmerstone had no other choice but to take a closer look at the China problem.[268] John Abel Smith, one of the founding partners of Jardine, Matheson & Co. and member of the British parliament, introduced William Jardine, who had just returned to London, to the Foreign Secretary. During their meeting, the private trader supplied Palmerstone with an overview of the situation in China by explaining to him Britain's trade policy and the Canton system. Furthermore, he also introduced his own war plan known as the 'Jardine plan', which was actually published four years earlier in the *Register* and would later serve as the basis for Britain's war strategy during the opium wars.[269] However, Palmerstone was reluctant to take any hasty decision and spent a long time studying strategic maps and charts.[270] Finally, in December 1839, he decided to take a stand and convinced Parliament that the use of force was necessary in order to restore the British Empire's prestige and make the Chinese pay for the losses occurred by the private traders. Soon afterwards, he issued the official statement of war and sent it to China.[271] "Jardine's war lobby followed a same pattern in which merchants in the frontier possessed superior knowledge and they supplied it to the ministers. Lack of information on the government side offered a perfect opportunity for lobbying a course. Jardine was actively searching for an opportunity to put forward his story of China, and he utilized his time with the Palmerston well."[272] After lobbying for the first opium war, William Jardine remained in London as part of the British Parliament and served as an expert on Sino-Western relations both during and after the conflict. It was often speculated whether Jardine's lobbying efforts actually influenced Lord Palmerstone's decision to go to war with China. However, a letter from the Foreign Secretary to John Abel Smith after the signing of the treaty of Nanjing, which marked the end of the first opium war, effectively put an end to those debates. By

267 Wong. 2002. 375.
268 Robins. 2012. 164-165.
269 Chen and Chen. 2017. 116.
270 Le Pichon. 2006. 23.
271 "William Jardine in Scotland to James Matheson in China, December 1839". In Le Pichon. 2006. 407.
272 Chen and Chen. 2017. 121.

writing "to the assistance and information which you and Mr. Jardine so handsomely afforded to us it was mainly owing that we were able give our affairs naval, military and diplomatic, in China those detailed instructions which have led to these satisfactory results"[273] it was proven that the 'Jardine plan' was actually implemented by the British government and that William Jardine was the important mastermind behind the opium war lobbying campaign in London.

This analysis of the private trader's petitioning campaigns and correspondence with British government officials, in particular Foreign Secretary Palmerstone, shows that the British merchants in Canton were an important player in the political reasoning for the opium war. The revenue generated from their engagement in the opium trade constituted the most important factor that turned the British balance of trade black again and, thus, Parliament was, in the end, pressured to fulfill their demands and gain control over the China trade once and for all.

[273] Fairbank, John K. 1953. *Trade and Diplomacy on the China Coast: The Opening of the Treaty Ports, 1842-1854.* Redwood City: Stanford University Press. 83.

## Part V: Failed Trade Negotiations

*In which the clash of cultures between the British imperialist free-trade policies and China's Confucian protectionism and its implications for ultimately choosing war over peace are highlighted*

After having intensively studied the trade, monetary and systemic perspectives that play into the origins of the opium wars in the previous chapters, what has been missing so far is the inclusion of politics and political trade negotiations between China and the British Empire to the equation.

Although both nations constituted the dominant force on their continents during the early 19th century, their ideologies as well as political and economic strategies could not differ more from each other. The philosopher David Hume put it like this: "Where China was a vast, conservative, static unity, European states (and especially England) were small, nimble, fast changing. While China's slavish people had been homogenized into speaking one language […] and sympathizing in the same manners, [England's] great liberty and independency, which every man enjoys, allows him to display the manners pellicular to him."[274] China saw itself as a highly developed civilization that was superior to its neighboring countries. It was shaped by its Confucian world perspective which served as a basis for the country's political, administrative and economic system as well as a moral guideline.[275] Its interactions with the other Asian countries followed the tributary system, in which China's trading partners had to accept the emperor's superiority and pay him tribute. This procedure involved the exchange of gifts between foreign rulers and the Qing emperor. The British Empire, on the other hand, stood at the height of its colonial expansion and found itself in an economic transition phase, from mercantilism to free trade, which would further increase the country's global influence. For the European powers, the Chinese way of conducting trade seemed totally foreign and they could not easily adapt to it as in the Western world sovereign nation-states interacted as equals.[276] Furthermore, they were not accustomed to the Chinese traditions and rituals that had

274 Hevia, James L. 1995. *Cherishing Men from Afar: Qing Guest Ritual and the Macartney Embassy of 1793.* Durham: Duke University Press. 67.
275 Weimling, Tu. 2019. "Confucianism". *Encyclopædia Britannica*. Accessed May 10th, 2020. https://www.britannica.com/topic/Confucianism.
276 Kissinger. 2012. 66-68.

to be strictly followed during trade negotiations. Because of this, almost all trade missions during the Qing era were doomed to fail, as the European powers were most of the time perceived as arrogant barbarians that bore malicious intentions and behaved like pirates.[277]

Due to these ideological, economic and cultural barriers, the British Empire was not able to negotiate favorable trading terms with China in the years leading up to the first opium war and, thus, resorted to the use of force in order to achieve the opening of the Chinese market.

## A. Palmerstonianism vs. Confucianism

In the early 19th century the British Empire had successfully acquired the title of the most powerful colonial power on the planet. But with great power came great responsibility and the question of how these colonies could be maintained and if colonialism could be brought in accordance with Britain's moral obligation arose. However, at this point in time, the advocates for this strategy maintained the upper hand with the justification that the British Empire was actually morally obligated to guide the other, more backward nations in order for them to develop and become more sufficient.[278] This conviction even lasted until Lord Palmerstone's second term as Foreign Secretary, when he stated in 1848: "I may say without any vain glorious boast […] that we stand at the head of moral, social and political civilization. Our task is to lead the way and direct the march of the nations."[279] His foreign strategy was often referred to as 'Palmerstonianism', a "policy of expanding British interests oversea by force wherever necessary, justified by appeals at home to moral imperatives."[280] Palmerstone had many supporters amongst other political actors who thought in a similar way such as the former British Colonial Secretary William Huskisson who was convinced that "England cannot afford to be little"[281], and should, thus, spread its influence further across its own territories.

277 Platt. 2018.
278 Porter. 1999. 101-102.
279 Cunningham, Hugh. 2014. *The Challenge Of Democracy: Britain 1832-1918*. London: Routledge. 79.
280 Porter. 1999. 106.
281 "Huskisson's Speech on the Civil Government of Canada, 2 Nay 1828". In Huskisson, William. 1831. *Speeches.* London. 287.

When the first calls for free trade policies became louder, the imperialist politicians were happy to include them in their plans in order to expand the British Empire's economic influence as well. "It is the business of Government to open and to secure the roads for the merchant"[282] Palmerstone once explained to Lord Auckland, Governor General of India. He was convinced that the influence of free trade could only be beneficial for all parties involved and that it would further the development of developing and backward nations.[283] Although they might have disagreed regarding the means which would be taken in order to boost British trade power, politicians, merchants and government officials alike, supported the opening of the globe to free trade. In his book *Empire,* the famous British historian Niall Ferguson remarks that although the British Empire can be criticized for many things, "it was arguably the cheapest way to guarantee free trade which benefits everyone."[284] Most of the criticism was not directed at the free trade policy per se but rather at the hypocritical attempt of British politicians to make those principles compatible with colonialism in order to justify new acquisitions. Many free traders such as Adam Smith and Richard Cobden would rather argue that the maintenance and further territorial expansion of the British colonies was nothing but a costly and immoral business that would put the Empire into a bad light. Furthermore, they were convinced that all former colonies would continue their trade exchanges with Britain under the free trade paradigm anyway, and, so, countries such as China would only benefit from it.[285]

The Chinese market would have offered the British Empire a potential consumer market the size of a quarter of humankind. However, Sino-British trade relations had always been troublesome, staring with the first British merchants who reached the Asian continent and behaved more like pirates who looted and devastated Chinese towns than self-proclaimed "pioneers of peaceful commerce".[286] Until the opium wars, this relationship experienced a few up- and downward periods but, in general, the Asian power remained closed off from Western influences and followed a protectionist trade strategy. This behavior caused a lot of dissatisfaction within the British government which was eager to increase the China trade as well as amongst

[282] Platt, D. 1968. *Finance, Trade and Politics in British Foreign Policy, 1815-1914*. Oxford: Clarendon. 85.
[283] Bourne. 1970. 3-5.
[284] Chang, Ha-Joon. 2009. *Bad Samaritans*. United Kingdom: Random House. 25.
[285] Porter. 1999. 103-104.
[286] Yi. 2012. 250.

private merchants and comments such as the following were frequently found in Canton's British newspapers: "The Chinese know no law except their own, no power beyond the precincts of their dominion. They will ever consider themselves the most superior nation in the world until convinced by some other argument than reason that this perhaps is not the case".[287] Nevertheless, some British traders in Canton suggested that the Hong merchants actually agreed with the British free trade principles and only the Chinese government needed to be convinced of their advantages, even by force if necessary.[288]

After the East India Company's monopoly on the China trade ended in 1833, the British government had to take over its function and protect the interests of its fellow countrymen in Canton. The events that took place after 1839 were rather the exception to the norm as the British parliament would normally negotiate commercial treaties with foreign countries and the private traders would then act under those regulations. However, as the Chinese emperor was not willing to even engage in any trade negotiations on British terms and Palmerstone was, amongst other things, led by his moral conviction that the opening of the Chinese market was necessary for the mutual progress of both countries, the British Empire decided to go to war in October 1839.[289]

Unlike the British, the Chinese did not have to expand their Empire through colonial conquest as their territory already covered huge parts of the Asian continent which were filled with almost all necessary resources to establish the country's self-sufficiency. China's social and political system was shaped by the Confucian worldview, which was based on certain moral values and control that has evolved throughout the different imperial dynasties over time.[290] The Qing were also using this belief system as the basis of their political rule and put a special focus on hierarchy which would keep the various actors in line. When it comes to foreign relations, they also referred to Confucianism to defend their stance of China being the center of the globe, the so-called 'Middle-Kingdom', and the Emperor was titled 'the Son of Heaven' that was destined to rule by a higher force. Thus, the tributary system of trade

[287] Greenberg. 1951. 42.
[288] Ibid. 43.
[289] Platt. 1968. 85.
[290] Weimling, Tu. 2019. "Confucianism". *Encyclopædia Britannica*. Accessed May 10th, 2020. https://www.britannica.com/topic/Confucianism.

was introduced in which all foreign countries were part of different concentric zones, of which the inner ones were ruled by the Chinese emperor and the outer ones by barbarians.[291] Trade exchanges, especially in the early stages of negotiations, had to follow Chinese rules and, thus, all foreign delegations were forced to pay tribute to the emperor, which resulted into a ritual ceremony in which gifts were exchanged and the court had to be cherished.[292] This philosophy also had a strong impact on the Chinese society, which had to follow the belief system as a community and could not pursue individual paths.

China's trade relationship with foreign countries could be characterized as volatile. The first European ship that reached the Asian country was Portuguese. The ambassador and his delegation were, however, not welcomed with open arms but arrested and left to die when they first entered Chinese soil in 1517. Nevertheless, this incident did not discourage other nations to try their luck in China and so the next generation of Portuguese, Danish and British traders established their first trade ties in the following century. The Chinese merchants were surprised by their strange manners, appearances and ways of conducting trade. They referred to them as the 'Hairy Ones', as Europeans tended to have significantly more facial hair and their diet was also considered to be very unhealthy, due to their preference for meat. Furthermore, Chinese rumor had it that they were dependent on tea and rhubarb in order to survive which would explain why they were so eager on trading those products.[293] Despite these cultural barriers however, the economic relations seemed to go rather smoothly, which can also be concluded from the first chapter of the Canton colony charter in 1685 which said that "foreigners and Chinese are members of one family […] and must be on an equal footing".[294] However, after the European countries started to expand their territories and founded colonies such as the British one in India and the Spanish one in the Philippines, the Chinese became suspicious and feared that those countries wanted to impose their own trading regimes on China as well.[295] The relationship between British traders and the Chinese authorities deteriorated even more after several violent incidents with drunken sailors. Because of this, the English were

291 Lovell. 2011. 83-86.
292 Ibid. 87.
293 Hunt. 1999. 48
294 Greenberg. 1951. 42.
295 Kissinger. 2012. 66-68.

from this time onwards often seen as sea pirates which had to be kept in line similar to the barbarians that once had threatened China from the north. However, building a great will in the ocean was not a possibility this time and so the only viable solution for the Chinese was to limit foreign trade to one single port in Canton in 1757. [296]

As we have seen in the last chapter, the Canton system was able to successfully manage foreign trade interactions for a few decades before it began to crumble. The one thing that caused severe political tensions from the Chinese side was the opium trade and the fact that the British were not adhering to the Jiaqing Emperor's ban on the drug trade. His concern for the country's proper administration, which was threatened by the rising number of opium addicts, can be seen by one of his imperial decrees in 1810 in which he stated that "opium is a poison, undermining our good customs and morality. Its use is prohibited by law. […] However, recently the purchases and eaters of opium have become numerous. Deceitful merchants buy and sell it to gain profit."[297] The culprit was soon identified as the foreign barbarian merchants who infiltrated the drug into the country and involved many Chinese officials in illegal smuggling activities.[298] In another decree in 1815, the Emperor introduced more severe guidelines against opium traders with the words: "Opium spreads its poison intensively. It is usually smuggled in by barbarian ships just like in the old days of piracy. Hereafter, when the Western commercial ships arrive at Macao, we should inspect and examine them one by one in order to cut off the opium supply."[299] Furthermore, he also discussed the punishment options for Chinese nationals who were caught facilitating the opium trade. Amongst the Chinese merchant community in Canton, "men on opium ships were uncivilized and lacked Confucian values such as flexibility, modesty, kindness, respect for others and knowing one's place in the cosmic sphere of things."[300] Nevertheless, the opium trade was also a very lucrative business for them and they did not have any scruple to engage in it until the 1830s, when the Chinese court had once more appealed to the Hong's Confucian values which forced them to obey the Emperor's decision. "In 1836 and 1837, for example, the governor-general in Canton mounted a token campaign against opium

296 Greenberg. 1951. 45.
297 "Opium addicts become Numerous, April 1810". In Fu, Lo-Shu. 1966. *Documentary Chronicle of Sino-Western Relations, 1644-1820.* Tucson: University of Arizona Press. 380.
298 "Prohibition of opium must be enforced, March 1811". Ibid. 381.
299 "New Legislations prohibit opium, May 1815". Ibid. 399-400.
300 Hunt. 1999. 48.

only as a duty and as a gesture to please the emperor, not as a crusade based on any moral principles."[301] And so the Confucian belief system was strong enough to create a trade barrier supported on almost all levels that would build up Sino-British tensions and result into a war caused by two strong ideologies, Palmerstonianism and Confucianism.

### B. The Art of Negotiation

The first part of this chapter has shown how deviations in the British Empire's and China's ideologies and cultural belief systems compromised the countries' abilities to engage in mutually agreeable trade exchanges. These fundamental differences came to the surface during several diplomatic missions that were sent from England to China in order to negotiate favorable trade terms for Britain.

The first notable trade mission that was sent to China took place in 1792. After the British Empire wanted to expand its trade relations with the Asian country, the ambassador Earl George Macartney was commissioned to sail to Beijing together with a British delegation.[302] He was a knighted diplomat with an outstanding reputation who previously declined the position as Governor General of the Indian Bengal region.[303] Macartney was instructed to archive the opening of more ports to England for trade activities, the acquisition of an island which would serve as a British outpost for merchants and ships, a loosening of the limitations that British traders had to face in Canton and several tax exemptions on British commodities in order to boost foreign exchanges.[304] The mission could be described as a joint venture between the British government and the East India Company, which was at this point still in charge of the British China trade. The journey on sea to Asia took about one year and the ambassador was accompanied by 400 passengers, one of them being James Dinwiddie, a British astronomer and philosopher who was in charge of handling and preparing the gifts that would be presented to the Chinese emperor as tribute. Those mainly included a wide range of 'singsongs' and England's newest scientific inventions such as a mechanical planetarium and several lenses that Dinwiddie was supposed to impress the royal court

[301] Ibid. 6.
[302] Marshall. 1988. 528.
[303] Platt. 2018. 17.
[304] Yi. 2012. 273.

with.[305] Moreover, Macartney was equipped with a letter from King George himself which was addressed to "the Supreme Emperor of China […] worthy to live tens of thousands of years".[306] The British monarch further described that this mission was supposed to serve as a discovery journey that would enhance the British knowledge of the Chinese society with the ultimate goal of bettering Sino-British relations. In his private instructions to Macartney he described the Chinese as "a people, perhaps the most singular upon the globe, among whom civilization had existed, and the arts been cultivated, through a long series of ages, with fewer interruptions than elsewhere."[307] At this point, the British were well aware that it would not be an easy task to convince the Chinese emperor to open up more of the Chinese market and so they did their best to be prepared for this challenge in studying their customs and trying to find somebody who could serve as a translator.

When the delegation finally arrived on the North China shore in June 1793, they were greeted with several gifts from the Chinese emperor, which, to the Ambassador's surprise, consisted of very basic resources such as farm animals, vegetables, rice and flour. Afterwards, they were directed along the White river inside the country towards Beijing, where they had to leave the majority of the crew behind. Only the ambassador himself and his closest entourage were allowed to proceed to the Qianlong Emperor's summer residence in Jehol. From this point onwards, even the best strategy on how to deal with the Chinese court could not prepare Macartney for what was about to happen.[308] Instead of being greeted upon arrival at the emperor's residence, the British Ambassador was left waiting in the entrance hall. He had to find the imperial minister who was responsible for the delegation during their stay himself on the following day. After he handed over the British gifts to the royal court, he noticed that the Chinese did not seem to be impressed by the tributes. This was due to the fact that the Chinese emperor usually expected to receive goods that would later actually be involved in the trade exchanges and not serve as mere decoration.[309] Macartney was not aware of this fact and was also surprised when the Emperor's

305 Proudfoot, William J. 1868. *Biographical Memoir of James Dinwiddie, Ll.D., Astronomer in the British Embassy to China, 1792.* Liverpool: Edward Howell.
306 "Letter from King George III to the Qianlong Emperor, 1792". In Morse, Hosea Ballou. 1926. *The Chronicles of the East India Company.* Oxford: Clarendon Press. 244-247.
307 Platt. 2018. 22.
308 Platt. 2018. 28-34.
309 Lovell. 2011. 87.

servants explained to him the kowtow ritual which involved kneeling down several times and had to be performed during the official audience with the emperor himself. The British ambassador refused to obey to the Chinese rules and insisted on greeting the Emperor the same way as he would greet King George, by bending one knee and bowing down his head.[310] The audience took place one week after Macartney's arrival. He had prepared a special outfit for this occasion and finally faced the Emperor "dressed in his full regalia of mulberry velvet suit, diamond star and plume of feathers"[311], which only caused amusement among the royal court and the other trade delegations that were present that day. The British ambassador had to wait until the other foreign delegations, who unlike him practiced the kowtow ritual, had put forward their demands, before it was his turn to speak up. During his audience, King George's letter was brought forward in a golden box and read out loud by a Chinese translator. Surprisingly, the initial text had been changed to a version in which the Qianlong Emperor was honored even more, the word China was elevated and all references to Christianity were left out. After Macartney had put forward his trade proposals, his delegation was dismissed without a response and they were instructed to leave the residence and head back to Beijing. There, they met the Emperor one more time when he came to see Dinwiddie's science objects which he only deemed "good enough to amuse children."[312] This marked the final point of the delegation's journey and they had to leave the country without having achieved anything.[313] One British servant put it like this "We entered Beijing like paupers; we remained in it like prisoners; and we quitted it like vagrants".[314]

The British failed to understand that they had severely offended the Qianlong with their behavior during their stay. "When foreigners who come seeking audience with me are sincere and submissive, then I always treat them with kindness. But if they come in arrogance, they get nothing"[315], were his words after Macartney had left the country. By not performing the expected rituals and presenting the wrong sort of gifts as tribute, Britain's chances of achieving more favorable trade conditions were

310 Yi. 2012. 272-273.
311 Platt. 2018. 37.
312 Proudfoot. 1868. 40.
313 Platt. 2018. 38-42.
314 Anderson. Aeneas. 1795. *A Narrative of the British Embassy to China, in the years 1792,1793*. London: J. Debrett. 171
315 Platt. 2018. 42.

basically destroyed. The British ambassador did not know about the extent of his failure until a letter from the Chinese Emperor was sent to King George which included the famous words: “Strange and costly objects do not interest me […] We possess all things. I see no value on objects strange or indigenous and have no use for your country’s manufactures.”[316] Qianlong pointed out that the existing trade relations should remain as they were and gave a detailed explanation on why every single request of the British was deemed disproportionate. From the diaries that Macartney wrote during his journey back to the British Isles, we know that he often fantasized about the use of force in order to open up the Chinese market but, in the end, concluded that the risk of losing a war was too high.[317] In total, the Macartney mission failed to establish favorable trading terms for the British Empire due to a lack of information on Chinese cultural proceedings, the unwillingness of the British ambassador to adhere to the Emperors equatorial rules as well as China’s sense of superiority and arrogance that regarded foreign trade as an unnecessary part of China’s economy.[318] Nevertheless, the British were able to get a first closer look at the country’s social and cultural characteristics and economic principles that could have proved useful in the future.

Equipped with the experiences from the previous trade mission, the British government decided to send another big trade mission to China in 1816. This time, it would be led by Lord Amherst, a diplomat and colonial administrator who would later serve as Governor General of India and follow the same aims as the Macartney delegation before. Unfortunately, China’s cultural proceedings would once again prove to be the reason that led to the failure of the mission.[319] Jiaqing, the Chinese Emperor at that time, was convinced that the British would only request an audience in order to pay tribute to the Chinese court and not with the intention of opening up the country to foreign trade and was, thus, looking forward to the audience.[320] However, this meeting would never take place. When Amherst reached China together with his 700-member crew, he was instructed in the kowtow ritual that had to be performed before the Emperor. The British Ambassador fiercely refused to participate

316 “Emperor Qianlong: Letter To George III, 1793“. In Backhouse, E. and Bland, P. 1914. *Annals and Memoirs of the Court of Peking*. Boston: Houghton Mifflin.
317 Macartney, George. 1963. *An Embassy to China, 1793-1794.* Hamden: Archon Books. 211-213.
318 Kissinger. 2012. 69-79.
319 Kissinger. 2012. 79.
320 “An English Ambassador comes to China, June 1816”. In Fu. 1966. 403.

in it as he did not want to convey the impression that the British Empire, which he was representing, was inferior to the Chinese one. Just before he was about to meet Jiaqing, his Chinese government officials told him that his audience was cancelled. They wanted to prevent the faux pas that was about to take place in front of their Emperor and spare him from this humiliation.[321] And so, not able to fulfill his duty, Amhurst was sent back home to England together with an imperial edict from the Chinese Emperor to the British King. Jiaqing explained the failed mission with the following words: "Your country is located beyond the two oceans far from US, and you offer your sincere appreciation of Our civilization. […] Unexpectedly, your ambassador would not follow our etiquette which requires him to kowtow on the occasion where a state banquette was given in his honor."[322] He again stressed that they had little need for foreign products and did not wish to see another British delegation in the near future. His disinterest for the British and their demands related to trade also became apparent by reading another imperial decree in which the Emperor admitted that he had never even read the content of the British King's letter that was handed over by the Amherst mission.[323] Overall, the same issues that had occurred during the Macartney mission had also compromised the chances of this delegation and the British started to doubt that a diplomatic solution could be found for solving the trade disputes between the two nations.

The final mission that was sent to China from England would prove to be the crucial one in determining the fate of the two nations. After the East India Company's monopoly on the China trade came to an end in 1833, the British government had to take over the responsibility to look after the British private trader's interests in Canton. In order to do this, they decided to appoint a superintendent of British trade that could represent the country and its interests directly at the center of commerce in Canton.[324] After long discussions, they decided against several candidates that had previous experiences in dealing with trade-related affairs and choose Lord Napier, a royal navy officer with strong ties to the British upper class and a close friend of William Jardine. This time, however, Lord Palmerstone, who was in charge of Napier, wanted to avoid the same mistakes that were made during the past official meetings with the Chinese

321 Yi. 2012. 274-275.
322 "The Ambassadors are dismissed without and audience, August 1816". In Fu. 1966. 404-405.
323 "Official is condemned, November 1816." In Fu. 1966. 407.
324 Greenberg. 1951. 191-192.

royal court and therefore decided to keep him on a short leash. He refused to give him an ambassadorial status and told him to consult the British parliament before any major business decision or meeting in order to avoid conflict at any cost. Napier, who saw himself as a worthy and more capably successor of Macartney and Amherst, was not willing to accept these restraints and was already planning on ways to make the Chinese obey him. “The Empire of China is my own. What a glorious thing it would be to have a blockading squadron on the coast of the celestial Empire. […] how easily a gun brig would raise a revolution and cause them to open their ports to the trading world. I should like to be the medium of such a change”[325], were his thoughts on his journey to China in 1834 onboard the warship *Andromache*. He was convinced that the Chinese people needed to be saved from the chains of the royal court and that he could count on them in case of an attack from the British side.[326] As soon as Napier reached Macao, he decided to go straight to Canton against Palmerstone’s clear instructions in order to present himself to the local Governor General, Lu Kun. He made his way up to the city illegally as he did not wait for the proper permissions. Once there, he was denied an audience with Kun. The Chinese government official was offended by Napier’s behavior and his obvious arrogance and instructed the leading Hong merchants to handle this matter as he was not authorized to engage in trade matters even if he wanted to.[327] When Napier would not stop his attempts to consult with Lu Kun directly, the Governor General sent a letter to Palmerstone in which he complained about Napier’s outrageous behavior, by referring to him as *yimu,* which could be translated as ‘barbarian eye’. “The said Barbarian Eye did not obey the old regulations […] the said Barbarian Eye has not at all told plainly what are the matters he has come to attend to.”[328] Afterwards the battle between those two seemed to slowly start getting out of hand and resulted into a media scandal as both parts started to insult each other through pamphlets and posters that were handed out to the Canton population. Napier referred to Kun as a “presumptuous savage,”[329] whereas the Governor General countered with these words: “A lawless foreign slave, Napier,

[325] Melancon, Glenn. 2003. *Britain’s China Policy and the Opium Crisis. Balancing Drugs, Violence and National Honour, 1833-1840.* London: Ashgate. 35
[326] Platt. 2018. 291.
[327] Yi. 2012. 278-279.
[328] *Correspondence relating to China. Presented to both Houses of Parliament, by Command of Her Majesty.* 1840. London: T. R. Harrison. 25, 47.
[329] Lovell. 2011. 6.

has issued a notice. We know not how such a dog barbarian of an outside nation as you, can have the audacious presumption to call yourself superintendent."[330] When Lu Kun ordered his soldiers to arrest Napier in his British factory quarters, the superintendent sent notice to his warships in Macao ,which started to head towards Canton and fired on Chinese forts and ships that lay on the way without the permission of the British government. The attack turned out to be a disaster for Napier due to bad weather conditions and he was forced to step down and flee to Macao where he died a few days later due to a disease.[331]

Although this final trade mission turned out to be the probably most severe disaster in the history of Sino-British relations until this point, "Napier succeeded superbly in two respects: first in moving the Anglo-Chinese relations closer towards the possibility of armed conflict […] and second, in recasting the impulse towards war as a moral obligation."[332] It became apparent that war would become inevitable as the British Empire did not back down in demanding the opening of the Chinese market in order to expand their foreign trade activities and support their fellow country traders in Canton. China, on the other hand, was not willing to be challenged by a barbarian nation from the other side of the globe that should, in their eyes, be grateful to be allowed to trade at Canton and show their subordinance to the Chinese emperor instead of poisoning the nation with their lack of morals and, of course, opium.

## C. Two Men on a Mission

Despite the devastating outcome of the British Empire's trade missions that were sent to China and the resulting increase in distrust against foreigners on the Chinese side, the private merchants were still able to continue their opium business, which was still constantly expanding in the 1830s.[333] Due to a lack of supervision from the Chinese authorities, the British merchants were able to sell the drug in an almost free-trade-like manner through their Canton networks and were also exploring alternative distribution options along the East China coast at this point in time[334]

330 *Correspondence relating to China.* 1840. 33.
331 Platt. 2018. 300-301.
332 Lovell. 2011. 8.
333 See Appendix, Figure 11.
334 Greenberg. 1951. 110-112.

“When free trade triumphed, opium smoking became a pathological problem. When free trade failed, gunboat diplomacy was applied.“[335] This effectively describes the resulting course of the events that would happen in the years before the opium war. After the Chinese ruling class was no longer able to deny the fact that the drug consumption had gotten out of hand and that their regulatory measures were not sufficient in order to stop the opium business, they made it their number one priority to finally wipe out the illicit trade once and for all. This led to the appointment of Lin Zexu as imperial commissioner to Canton, whose task was to restore order in the city and put the private traders back into their place. Zexu came from a large landholding clan that had been losing in significance for many generations. In order to reestablish the families honor, Lin fought his way up the administrative ladder and became an invaluable administrative officer for the Chinese government due to his talent in taking care of crisis situations.[336] In 1838, he successfully convinced the Daoguang Emperor that he would be the right person to fix the problem of the ever-growing drug trade. Lin Zexu was subsequently sent to Canton where his first priority was to pressure the Hong merchants into completely abandoning any illicit operations and separating themselves from the foreign traders.[337] Howqua, one of the most famous and richest Canton merchants, initially tried to bribe him in order to continue his operations, whereupon Zexu told him: “The minister does not want your money. I want your head.”[338] The imperial commissioner’s ambition to destroy the opium trade and serve his country derived from his strong Confucian beliefs and his subsequent fight against the drug trade was often compared to a “religious crusade.”[339]

The British, on the other hand, who had been humiliated in their attempts to find a diplomatic solution to expand their foreign trade operations in the East, had been pushed to their limit of patience in 1838. Charles Elliot, their new superintendent of trade after Napier’s spectacular failure in 1836, would find his match in Zexu. Just like his predecessors, Elliot came from a wealthy British family and had made his name as ‘the protector of slaves’ as he was advocating for more freedom for them in the West

335 Zheng, Yangwen. 2005. *The Social Life Of Opium In China*. Cambridge: Cambridge Univ. Press. 87.
336 Lovell. 2011. 55-58.
337 Waley, Arthur. 1958. *The Opium War Through Chinese Eyes*. Stanford: Stanford University Press.12.
338 Zhizhi, Xiao. 1996. *History of the Opium War*. Fujian: Fujian renmin chubanshe. 194.
339 Platt. 2018. 352.

Indies where he was stationed before. He had an understanding of the importance and advantages of free trade and, although he disliked the opium business, he understood its purpose as a valuable stream of income for the British Empire.[340] Similar to Napier before, he received unclear instructions on his expected behavior and tasks in Canton as the British government told him "to avoid giving offence to the Chinese authorities," while at the same time refusing to "deal subserviently with the […] Chinese authorities."[341] Unclear of what powers he was actually awarded as superintendent, Elliot soon had to face the biggest diplomatic challenge of his career in Canton. After Lin Zexu had declared an ultimate ban on opium, he instructed his newly founded security groups to besiege the foreign private trading community in their factories and force them to hand over all of their opium supplies. The British merchants turned to Elliot for advice and after three days of consideration, he told them to surrender their drug storage and promised them that they would be compensated by the British government for their losses. As could be expected, he was, however, not able to get parliamentary approval for this decision as it would have taken too long to await an answer form the other side of the globe.[342] Thus, the superintendent could only notify Palmerstone after the opium was already handed over and justified his actions with the following words: "This is the first time, in our intercourse with the Empire that its government has taken unprovoked initiative in aggressive measures against British life, liberty and property, and against the dignity of the British Crown."[343]

After Lin Zexu had famously dropped the confiscated amount of opium into the. Pearl River in a small costal town, he was promoted for his devoted efforts to serve the Emperor. Spurred by his new status, Zexu wanted to force the foreign traders to sign an opium ban which would allow them to remain in Canton and continue their legal commercial operations. The Americans, who were not as dependent on the opium trade as the British, showed their willingness to follow this regulation, whereas Elliot furiously declined.[344] After the ban had been presented to him by the Hong merchants, he stated that "I tore it up at once and desired them to tell their officers that they might

[340] Lovell. 2011. 62-64.
[341] Graham, Gerald. 1978. *The China Station: War and Diplomacy, 1830-1860.* Oxford: Oxford University Press. 73.
[342] Blistein and Halpern. 2019. 129-130.
[343] *Correspondence relating to China.* 1840. 358.
[344] Greenberg. 1951. 205.

take my life as soon as they saw fit, but that it was a vain thing to trouble themselves or me any further upon the subject of the bond."[345] His signature would have put the British Empire in a position of subordination with regard to China, and the world's largest imperial power was not willing to bow down to any other nation. Soon afterwards, another incident, where a Chinese man was accidentally killed in a quarrel with drunk British sailors, forced the British superintended to flee the city on one of his ships as he was not able to resolve the situation. [346] At this point in time, Elliot, who had already considered the involvement of a British naval force "for the relief of the whole trade from the embarrassment into which it is thrown by the restrictive spirit of the local government"[347] in 1837, was convinced that war would be the only means to regain control over the Chinese market. Lin, on the other hand, was also thirsting for blood, which was grounded in his deep conviction that the Chinese nation was superior to the British one. "They are the minority, we are the majority. Though their ships are strong and their guns quick, they can only be victorious at sea – they cannot play their tricks in port and, Guangdong is well fortified,"[348] he reported to the Emperor. Furthermore, he also boldly addressed Queen Victoria in a letter, in which he referred to the British as "barbarians […] who only care to profit themselves",[349] compared foreign products to toys that would not be needed by the Chinese nation and threatened the closing of the Sino-British trade relationship once and for all if the British merchants would not submit to Chinese laws. After both Elliot and William Jardine, who headed back to England after Zexu's actions, had left the country, the imperial commissioner was convinced that he had finally succeeded in the opium battle. However, he had severely underestimated Elliot's resolve. After the British traders were expelled from China and had to retreat to the British fleet, the superintendent of trade realized that war was probably the only way to settle the dispute once and for all. Thus, on the 4th of September 1839, he gave the order to fire the first shots on three Chinese war junks that were blocking British food and water

345 *Correspondence relating to China.* 1840. 390.
346 Lovell. 2011. 71-74.
347 Greenberg. 1951. 204.
348 Mao, Haijian. 2005. *Tianchao de bengkui: Yapian zhanzheng zai yanjiu (The collapse of the Celestial Empire).* Beijing: Sanlian shudian. 116.
349 "Commissioner Lin: Letter to Queen Victoria, 1839". In McNeil, William H. and Iriye, Mitsuko. 1971. *Modern Asia and Africa, Readings in World History.* New York: Oxford University Press.

supplies on sea.[350] In a letter to James Matheson, who was still in Canton at that point, he expressed his uncertainty about his order with the following words: "Perhaps I ought not to have fired at all but every man's patience has limits and mine has been sorely tired."[351] He was torn between his own beliefs and the moral obligation he had to his country, with the latter triumphing in the end. Elliot's actions would bestow him with the title 'architect of the opium war' and make him the personification of the "confusion: of imperialist ambition and opportunism; of duty and scruple; of hypocrisy and self-deception".[352]

The news of Elliot's move in China would only arrive the British parliament, after they had already decided to deploy naval troops to China in October 1839.[353] Palmerstone, who was driven by his moral convictions that the British Empire was destined to lead the way for backward nations such as China as well as his knowledge about the importance of the Chinese opium trade for the British trading accounts, convinced his fellow politicians of the necessity of British intervention for the country. Equipped with Jardine's war plan that would serve as the basis for the British war proceedings during the first opium war, he was certain about the success of his military mission that was heading towards China.[354] In his final notice to the Minister of the Emperor of China that should be handed over upon arrival of the fleet, Palmerstone's intentions could once more be observed. In it, he stressed his discontent about the treatment of his fellow Englishmen in Canton. Furthermore, he named the British demands that would have to be fulfilled by the Chinese in order to refrain from the use of force that would otherwise be applied to secure the interests of the country's private trading community. The document ended with the following words: "The British Government fervently hopes that the wisdom and spirit of Justice for which The Emperor is famed in all parts of the World, will lead the Chinese Government to see the equity of the foregoing demands; and it is the sincere wish of Her Majesty's Government that a prompt and full compliance with those demands may lead to a speedy re-establishment of that friendly intercourse which has for so great a period of

350 Platt. 2018. 390-392.
351 "Charles Elliot in China to James Matheson in Canton, September 1839". In Le Pichon. 2006. 377.
352 Lovell. 2011. 61.
353 Ibid. 101.
354 Chen and Chen. 2017. 116.

time subsisted between the British and Chinese Nation, to the manifest advantage of both.“[355] This letter however would never even reach the Chinese court.

[355] “Lord Palmerston to the Minister of the Emperor of China, 1840”. In Morse, Hosea Ballou. 2008. *International Relations of the Chinese Empire.* Falkstone: Global Oriental.

# Conclusion

Although the final letter of Lord Palmerstone that could have been the last spark of hope to find a diplomatic solution and prevent the opium wars was never read by the Chinese Emperor, it is publicly displayed in Humen's Opium War Museum together with other historic documents and artefacts that serve as a painful reminder for the past today. "Alongside the patriotic efforts of the Chinese themselves to suppress the drug, the museum also honors the 'righteous Western people' who campaigned against the opium trade, such as Britain's great liberal politician, William Ewart Gladstone."[356] In his famous speech at the House of Commons after Britain had launched the first attacks, Gladstone famously called out those action as "a war more unjust in its origin, a war more calculated to cover this country with permanent disgrace, I do not know, and I have not read of. The right honorable gentlemen opposite spoke of the British flag waving in glory at Canton. That flag is hoisted to protect an infamous contraband traffic; and if it were never hoisted except as it is now hoisted on the coast of China, we should recoil from its sight with horror."[357]

The opium wars definitively constitute one of the most memorable events in Sino-British history. Their origins can indeed be found in the fight for imperial and commercial supremacy; however, this thesis has shown that it was in fact a combination of economic factors that has triggered the first shots fired in the Pearl River. The development of the triangular trade can be attributed to the fact that the British Empire could not sell its own exports products to China, the country from where a major part of its imports came from and, thus, had to add its Indian colonies to the equation in order to maintain a healthy balance of trade. The British obsession with keeping this economic indicator positive was a major factor that contributed to the country's decision to go to war when its successfully established trading routine was threatened. For China, on the other hand, it was not the trade balance but rather the shortening of their royal silver reserves that called for defensive action. The Chinese government was quick to blame the British Empire and its illegal opium trade

356 Robins. 2012. 145.
357 Alexander, Joseph G. 1896. "The Truth about the Opium War." *The North American Review* 163, no. 478: 381-83. Accessed December 2, 2019. 383. https://www.jstor.org/stable/25118713.

as the culprit for their financial problems. However, an international shortage of silver was one of the main causes for the Daoguang depression and so the silver question proved that the origins of the opium wars were not only due to isolated issues between two countries but also influenced by the global economy as a whole. By comparing the monetary and trade role of opium and silver in the prelude of the opium wars, the function of these products become mixed up as silver was not only used as method of payment, but could also be seen as a valuable commodity of trade. Opium, on the other hand, was often treated as a currency itself, due to its light weight and high demand. The Canton trade, and especially its misfunctioning administrative and supervision system, which lead to an increase of illicit trading activities and corruption, presents another reason that caused Sino-British tensions to escalate. Canton represents the center stage for the events that resulted into the opium wars, as it served as the hotspot of the opium trade and brought the most important actors of the trade battle together. One of those actors, whose role in the prelude of the wars has often been neglected, are the British private traders. Empowered with the principles of free trade, they developed a taste for the lucrative opium trade and took over the East India Company's trading monopoly in China. Not only did they strengthen their position in Canton by colluding with the Chinese merchants, but their influence also reached up to the highest political ranks of the British Parliament, where they actively lobbied for the use of force in order to protect their businesses. Lastly, the insurmountable differences in the British Empire's and China's political ideologies and culture prevented any diplomatic solution to the conflict and, thus, all trade negotiations between the two countries were doomed to fail. When the battle between the Chinas imperial commissioner and the British superintendent of trade heated up in 1839, the outbreak of the first opium war was only a matter of time for both parties.

With the treaty of Nanjing in 1842, the British Empire emerged as the victor of the first opium war and was finally able to expand its influence on the Chinese market. The Chinese were initially forced to open up four additional ports to Britain and lower their trade duties. The number of opened up ports would increase even more after the Second Opium War ended in another Chinese defeat and the Treaty of Tientsin. [358] Furthermore, the opium trade was now implicitly deemed legal and would rise up to

[358] Keller, 2011. 9.

new heights. While its trading volume amounted to 11,281,408 silver dollars immediately after the first opium war, it would reach its absolute peak in 1881 with 64,491,332.[359] On a systemic level, the traditional tributary system, which had been in place since the first tributary missions reached the Han dynasty in the 1st Century BC, had ultimately come to an end and was superseded by the treaty port system which would last until the communist revolution in 1949. These developments would not only benefit the British Empire, but also the United States and France who were also able to take advantage of the defeated China and establish more favorable terms of trade.[360] From this point onwards, China understood that it could not isolate itself anymore. It now had to actively study and engage with foreign countries in order to restore its strength and eventually rise as serious economic power. Still, the nation's bilateral relations would long be negatively impacted by the intrusion of the British's Empire. Thus, two decades after the opium wars, the "senior British representative in China was still referred to officially as the 'English barbarian chieftain'."[361] The Qing dynasty was not only seriously weakened from external threats to the country's sovereignty, but also had to deal with a severe and long-lasting financial crisis. Due to the nation's dependency on the Spanish silver dollar, which was still in short supply, the country basically had to go through a twenty-year long depression until paper money was finally introduced as an alternative method of payment in 1853.[362] The country's internal struggles also caused social unrest which would threaten the ruling class in the form of riots and rebellions. Ultimately, China's internal troubles would prove to be the final blow for the Qing era and result into the downfall of the dynasty in the early 20th century.

In the last few years, the topic of the opium wars has resurfaced as the United States faces the worst drug epidemic in the country's history. Similar to China's situation in the 18th and 19th century, this public health crisis, which started with prescribing painkillers in a much too liberal fashion and evolved to widespread addiction to synthetic opioids, seriously threatens the strength of the country as a large part of the population an no longer contribute to the national economy. Furthermore, the illicit drug trade involves several nations who are part of this lucrative network.

359 See Appendix, Figure 11.
360 Porter. 1999. 146-151.
361 Fairbank. 1953. 9.
362 Lin. 2006. 114.

“Members of law enforcement in the United States and Canada suggest that most synthetic opioids and precursors originate from manufacturers and vendors in China. One route of supply comes via the international postal system and private express consignment carriers, such as FedEx and DHL. […] Mexican drug traffickers are the other major source.”[363] As those Central American drug cartels have long been suspected of importing illegal substances from China and reexporting them to the US market, a triangular relationship has once again arisen. Moreover, US pharmaceutical companies, who are engaged in numerous lobbying campaigns to keep the painkiller prescription rates high, as well as Chinese drug producers, who have built extensive distribution networks and came up with innovative ways to promote the drug traffic, are two powerful players that remind us of the British private traders at Canton.[364] When it comes to fighting the opioid epidemic, the United States counts on international collaboration and seeks active support from China, which had successfully managed to combat its own drug pandemic in the past with the help of a multilevel campaign that involved the social, administrative and economic sector.[365] However, China has not yet outlived the long shadow of opioid addiction either. “Although the Chinese central government has taken steps to control new chemicals and precursors, the problem persists. There are two likely factors for this. First, many manufacturers adapt to controls by designing new drugs. But, more important, regulatory capacity in China appears to be inadequate to effectively police its expansive pharmaceutical and chemical industries.”[366] Thus, 160 years after the last shots in the battle for the free trade of drugs were fired, the seeds of the poppy and their synthetic descendants still impact the Middle Kingdom.

363 Pardo, Bryce. 2018. “Evolution of the U.S. Overdose Crisis: Understanding China's Role in the Production and Supply of Synthetic Opioids.” *RAND.* Santa Monika: RAND Corporation. 4-5.
364 Ibid. 5-10.
365 Lowinger P. 1977. The solution to narcotic addiction in the People's Republic of China. *Am J Drug Alcohol Abuse*. 4(2): 165-178. doi:10.3109/00952997709002758. Accessed May 19, 2020.
366 Pardo. 2018. 7.

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# Appendices

a. <u>Chronology[367]</u>

**British Empire**

1757 Conquest of Bengal by the British

1780 British trade imbalance due to high number of tea and silk imports

1793 Britain goes to war with France

1792-3 First British trade mission to China

1793 British monopoly over opium from the Bengal region

1800 Act of Union

1816-17 Second British trade mission to China

1833 British East India Company's monopoly over china trade ends

1834 Lord Napier's trade mission to China

1837 Coronation of Queen Victoria

1839-1842 First Opium war

1839 May Destruction of 20,000 chests of British owned Opium

1839 September to October: Cabinet meeting at Windsor decides on sending a mission to China

1840 Debate on the China situation by the Whig government in parliament, decision to go to war

367 Based on Lovell, Julia. 2011. *The Opium War*. London: Picador, Dalrymple, William, and Olivia Fraser. 2019. *The Anarchy*. London: Bloomsbury Publishing, Richards, John F. 2002. "The Opium Industry In British India". *The Indian Economic & Social History Review* 39 (2-3): 149-180. doi:10.1177/001946460203900203, Marshall, Peter J., and William R. Louis. 1998. *The Oxford History Of The British Empire: 2: The Eighteenth Century*. Oxford: Oxford University Press and Porter, Andrew, and William R. Louis. 1999. *The Oxford History Of The British Empire: 3: The Nineteenth Century*. Oxford: Oxford University Press.

1840 August Palmerstone’s letter is handed over to the emperor

1842 May to August Final Yangtze campaign, Treaty of Nanjing, Hongkong is ceded to Great Britain, establishment of new trading ports, end of first opium war

1842-56 Tensions between the British and the Chinese due to the Cantonese refusal to accept the entry of the former into their city

1843 Treaty of Bogue to secure Britain’s most favored nation status in China

1856-1860 Second Opium war

1860 Convention of Peking

**China**

1644 The Qing empire was founded

1690-1750 The Qing conquer Central Asia

1700s Smoking of tobacco soaked in opium syrup starts in China

1720 Foundation of the Hong in Canton

1722 Yongzheng emperor comes to power

1729 First ban on opium

1735 Qianlong emperor comes to power

1760 European trade limited to Canton

1774 White lotus rebellion

1792-3 First British trade mission to China

1799 Jiaqing emperor comes to power

1810 China’s balance of payments turns red

1816-17 Second British trade mission to China

1820 Daoguang emperor comes to power

1833 British East India Company’s monopoly over China trade ends

1834 Lord Napier’s trade mission to China

1838 Lin Zexu gets instructed to fight the opium trade

1839-1842 First Opium war

1839 March Siege of opium traders in Canton

1839 May Destruction of 20.000 chests of British owned Opium

1839 September to November Battles of Kowloon and Chuanbi

1840 August Palmerstone's letter is handed over to the emperor

1840 September to October Lin Zexu's gets replaced by Qishan, start of talks in Canton

1841 January - February Treaty of Chuanbi by Elliot and Qishan, rejected by both governments, fighting resumes

1841 March – May Elliot and Qishan are replaced

1841 After months of negotiations, the British occupy Canton

1842 May to August Final Yangtze campaign, Treaty of Nanjing, Hongkong is ceded to Great Britain, establishment of new trading ports, end of first opium war

1842-56 Tensions between the British and the Chinese due to the Cantonese refusal to accept the entry of the former into their city

1843 Treaty of Bogue to secure Britain's most favored nation status in China

1850 Daoguang emperor dies

1850-1864 Taiping rebellion

1856-1860 Second Opium war

1860 Convention of Peking

**India**

1526 Foundation of the Mughal Empire

1617 The British East India company wins trading rights in India

1700 The Mughal empire at the height of its power

1707 End of Golden Era for the Mughal Empire

1757 Conquest of Bengal by the British

1764 Battle of Buxar

1773 Warren Hastings becomes first Governor-General of India

1793 British monopoly over opium from the Bengal region

1806 End of effective Mughal leadership, new emperor acts as a puppet for the British

1843 Opium becomes second largest source of revenue for India

1857 Sepoy rebellion breaks out

1858 India is put under direct control of British crown, end of rule of the East India Company

1876 Queen Victoria becomes empress of India

**History of the opium trading network**

The British Empires' Trading Network in Asia (1759-1793)

The British Empires' trading network in Asia started to evolve during the 18th century. This period was mainly characterized by the British East India Company (EIC) and its rise to a major colonial power with sovereign authority in South-East Asia following the British conquest of Bengal in 1759. Its position was supported by a new trading pattern, in which the EIC controlled the import of raw materials from the Asian colonies to the homeland, where they, subsequently, were transformed into manufactured goods and, finally, exported again to the British overseas territories. By 1793, the EIC had succeeded in establishing a trading monopoly over opium in Bengal, which led to a surge in the opium trade between the EIC, which meant, in fact, Great Britain, and China.

## The Golden Period of the Opium Trade Triangle (1793-1833)

With India serving as the main source of the opium plant, both the production sites and the distribution of the final product were controlled by the East India Company. The opium's main destination was China, which could only be entered through Canton, the only trading port that was open to foreigners. With the profits generated from the opium trade, Britain was, subsequently, able to finance the huge domestic demand for Chinese products. Overall, this period was characterized by a significant increase in opium imports to China, which resulted in the country's first ever negative balance of payments. By contrast, the opium trade turned around the British Empires' abysmal trading accounts, as Indian opium replaced silver as the main way to finance British imports.

## The Collapse of Canton's Tributary Trading System (1833-1839)

The surging consumption of opium in China was quickly conceived as a threat to both the country's prestige and military power by the ruling elite, as large parts of the population suffered from the adverse effects of opium addiction. Consequently, China's upper classes perceived Britain as a major enemy that poisoned the Chinese people just to ensure a positive balance of payments and finance its huge domestic appetite for Chinese goods. Thus, China broke the British East India Company's monopoly over the opium trade, which led to opium being shipped from India to Canton by independent merchants. During this period, several British trade missions attempted to reestablish the exclusive relationship between the EIC and China. However, these trade negotiations were ill-fated as the British ignored the rules of the Chinese tributary system. When the Daoguang Emperor finally decided to prohibit opium in 1838, the whole British opium trading network was close to collapse. As the British Empire could not accept this new reality, this economic conflict led to military hostilities: the first opium war had started.

## The Opium Wars and their Economic Legacy (1839-1860)

The opium wars took place between 1839-1942 and 1856-1860 and lead to the treaties of Nanjing, Tianjing and the Convention of Peking. The conflicts significantly weakened the Qing dynasty, China's territorial sovereignty as well as its economy. As a result of the concluding treaties, the era of unequal treaties with the world's major imperialist powers (Great Britain, France, Germany, the United States, Russia, and Japan) started and the country was forced to open up more of its ports for foreign trade and abandon its tributary system.

b. Dramatis Personae

## British Empire:

**Lord AUCKLAND** (1784-1849)
- English Whig party politician
- Governor-General of India
- Cousin of Charles Elliot

**Charles ELLIOT** (1801-1875)
- Superintendent of Trade with China
- Lead the negotiations during the first opium war

**Admiral George ELLIOT** (1780-1841)
- Joint oversight of Trade with China together with his cousin Charles Elliot

**Karl GÜTZLAFF** (1803-1851)
- Missionary
- Facilitator of opium trade

**William JARDINE** (1784-1843)
- Owner of the largest opium trading business in Canton together with James Matheson
- Supported opium war

**James MATHESON** (1737-1806)
- Owner of the largest opium trading business in Canton together with William Jardine

**William, Lord NAPIER** (1786-1834)
- British Royal Navy officer and trade envoy in China
- Unsuccessful trade mission to China (1834)

**Lord PALMERSTONE** (1784-1865)
- British Foreign Secretary during first opium war
- First liberal Prime Minister

**Sir Henry POTTINGER** (1789-1856)
- Replaced Charles Elliot as superintendent of Trade in China
- Lead negotiations that resulted in the treaty of Nanjing
- First British Governor of Hongkong

**QUEEN VICTORIA** (1819-1901)
- Ascended the throne in 1837, before the first opium war
- Empress of India
- Large expansion of the British empire during her reign

## China:

**DAOGUANG Emperor** (1782-1850)

- Emperor during first opium war
- Reign coincides with economic depression period

**HOWQUA** (1769-1843)

- One of the most important Hong merchants before the first opium war in Canton

**Huang JUECI** (1793-1853)

- Qing dynasty scholar
- Opposed to opium trade

**QIALONG Emperor** (1711-1899)

- Ruled during China’s ‚Golden Age’
- Reign marked by political stability and economic prosperity

**QISHAN** (1790-1858)

- Manchu aristocrat
- Replaced Lin Zexu during first opium war
- Arrested after Hongkong was ceded to the British

**QIYING** (1787-1858)

- Negotiator for China for the treaty of Nanjing 1842

**YILIBU** (1772-1843)

- Negotiator for China for the treaty of Nanjing 1842

**YISHAN** (1790-1878)

- Cousin of the Daoguang Emperor
- Oversaw ransoming of Canton in 1941

**YONGZHENG Emperor** (1678-1735)

- Second Qing ruler
- Impost first prohibition of opium

**XIANFENG Emperor** (1831-1861)

- Son and successor of the Daoguang Emperor
- His reign was marked by several uprisings such as the Taiping Rebellion, the Nian Rebellion and the Second Opium War

**Lin ZEXU** (1785-1850)

- Imperial commissioner to Canton
- Appointed by the Daoguang Emperor to stop the opium trade in Canton in 1839

## East India Company:

**Edmund BURK** (1729-1797)

- Irish philosopher
- Pursued impeachment efforts against Warren Hastings
- Resented the opium trade

**Robert CLIVE, 1st Baron Clive** (1725-1774)

- Accountant of the East India Company
- Governor of Bengal
- Established political and military supremacy of the EIC

**Philip FRANCIS** (1740-1818)

- Irish politician
- Pursued impeachment efforts against Warren Hastings

**Warren HASTINGS** (1732-1818)

- Head of supreme council of Bengal
- First Governor General of India /1773-1785)
- Accused of being responsible for corruption in Bengal and impeached

**Sir James LANCASTER** (1554-1618)

- British trader and privateer
- Controlled the first East Indian Company fleet in 1600

**Richard Colley WELLESLEY, 1st Marquess Wellesley** (1760-1842)

- Governor General of India
- Conquered large parts of India

## c. Glossary

**Balance of Payments**

The balance of payments “summarizes all transactions that a country's individuals, companies and government bodies complete with individuals, companies and government bodies outside the country. These transactions consist of imports and exports of goods, services and capital, as well as transfer payments such as foreign aid and remittances.”[368]

**Balance of Trade**

The “Balance of trade (BoT) is the difference between the value of a country's imports and exports for a given period and is the largest component of a country's balance of payments (BoP). Economists use the BoT to measure the relative strength of a country's economy.”[369]

**Canton System**

“Canton system, trading pattern that developed between Chinese and foreign merchants, especially British, in the South China trading city of Guangzhou (Canton) from the 17th to the 19th century. The major characteristics of the system developed between 1760 and 1842, when all foreign trade coming into China was confined to Canton and the foreign traders entering the city were subject to a series of regulations by the Chinese government.”[370]

**Comparative Advantage**

“Comparative advantage is an economic term that refers to an economy's ability to produce goods and services at a lower opportunity cost than that of trade partners. A comparative advantage gives a company the ability to sell goods and services at a lower price than its competitors and realize stronger sales margins. The law of comparative advantage is popularly attributed to English political economist David Ricardo and his book “On the Principles of Political Economy and Taxation” in 1817.”[371]

**Current Account**

“The current account is one half of the balance of payments, the other half being the capital or financial account. While the capital account measures cross-border

368 Balance of Payments (BoP). No date. *Investopedia.* Accessed December 3, 2019. https://www.investopedia.com/terms/b/bop.asp.

369 Balance of Trade (BoT). No date. *Investopedia.* Accessed April 19, 2020. https://www.investopedia.com/terms/b/bot.asp.

370 Canton System. No date. *Encyclopedia Britannica.* Accessed December 7, 2019. https://www.britannica.com/event/Canton-system.

371 Comparative Advantage. No date. Investopedia. Accessed January 20, 2020. https://www.investopedia.com/terms/c/comparativeadvantage.asp.

investments in financial instruments and changes in central bank reserves, the current account measures imports and exports of goods and services; payments to foreign holders of a country's investments and payments received from investments abroad; and transfers such as foreign aid and remittances."[372]

**Externalities**

"An externality is an economic term referring to a cost or benefit incurred or received by a third party. However, the third party has no control over the creation of that cost or benefit. An externality can be both positive or negative and can stem from either the production or consumption of a good or service. The costs and benefits can be both private—to an individual or an organization—or social, meaning it can affect society as a whole."[373]

**Gross Domestic Product**

"Gross Domestic Product (GDP) is the total monetary or market value of all the finished goods and services produced within a country's borders in a specific time period. As a broad measure of overall domestic production, it functions as a comprehensive scorecard of the country's economic health."[374]

**Gross Domestic Product per Capita**

"Per capita gross domestic product (GDP) is a metric that breaks down a country's GDP per person. It is calculated by dividing GDP over a country's population. GDP per capita is a universal measure globally for gauging the prosperity of nations. Worldwide it is used by economists alongside GDP to analyze the prosperity of a country and its economic growth."[375]

**Malthusian Trap**

"Malthus theorized that populations would continue expanding until growth is stopped or reversed by disease, famine, war, or calamity."[376]

**Mercantilism**

"Mercantilism was an economic system of trade that spanned from the 16th century to the 18th century. Mercantilism is based on the principle that the world's wealth was static, and consequently, many European nations attempted to accumulate the largest

372 Current Account. No date. *Investopedia.* Accessed December 3, 2019. https://www.investopedia.com/terms/c/currentaccount.asp.
373 Externality. No date. Investopedia. Accessed January 20, 2020. https://www.investopedia.com/terms/e/externality.asp.
374 Gross Domestic Product. No date. *Investopedia.* Accessed December 3, 2019. https://www.investopedia.com/terms/g/gdp.asp.
375 Per Capita GDP. No date. *Investopedia.* Accessed December 3, 2019. https://www.investopedia.com/terms/p/per-capita-gdp.asp.
376 Thomas Malthus. No date. *Investopedia.* Accessed April 4, 2020. https://www.investopedia.com/terms/t/thomas-malthus.asp.

possible share of that wealth by maximizing their exports and by limiting their imports via tariffs.”[377]

**Opium**

Opium is a “narcotic drug that is obtained from the unripe seedpods of the opium poppy. Opium and the drugs obtained from it are called opiates. Opiates (e.g., morphine, codeine, and thebaine) exert their main effects on the brain and spinal cord. Their principal action is to relieve or suppress pain. Opium was for many centuries the principal painkiller known to medicine and was used in various forms and under various names. The habitual use of opium produces physical and mental deterioration and shortens life. An acute overdose of opium causes respiratory depression which can be fatal.”[378]

**Treaty Port System**

“Treaty port, any of the ports that Asian countries, especially China and Japan, opened to foreign trade and residence beginning in the mid-19th century because of pressure from powers such as Britain, France, Germany, the United States, and, in the case of China, Japan and Russia. In China the initial ports were opened to British traders in 1842 following China’s defeat in the Chinese-British trade conflict known as the first Opium War (1839–42). Toward the end of the 19th century, as the Western countries demanded still more concessions from China, the number of Chinese treaty ports grew from 5 in 1842 to more than 50 by 1911.”[379]

**Tributary System**

“The tributary system was a network of loose international relations focused on China which facilitated trade and foreign relations by acknowledging China's predominant role in East Asia. It involved multiple relationships of trade, military force, diplomacy and ritual. The other nations had to send an envoy to China on schedule, who would kowtow to the Emperor as a form of tribute and acknowledge his superiority and precedence. The other countries followed China's formal ritual in order to keep the peace with the more powerful neighbor. Political actors within the tributary system were largely autonomous and in almost all cases, virtually independent. Although generally applied to all Chinese polities, this system only existed in the late Ming and early to middle Qing dynasties.”[380]

377 Mercantilism. No date. *Investopedia.* Accessed January 22, 2020. https://www.investopedia.com/terms/m/mercantilism.asp.
378 Opium. No date. *Encyclopedia Britannica.* Accessed December 7, 2019. https://www.britannica.com/science/opium.
379 Treaty Port. No date. *Encyclopedia Britannica.* Accessed December 7, 2019. https://www.britannica.com/topic/treaty-port.
380 Tributary System. No date. *Wikipedia*. Accessed December 7, 2019. https://en.wikipedia.org/wiki/Tributary_system_of_China

d. <u>Maps</u>

**British Empire:**

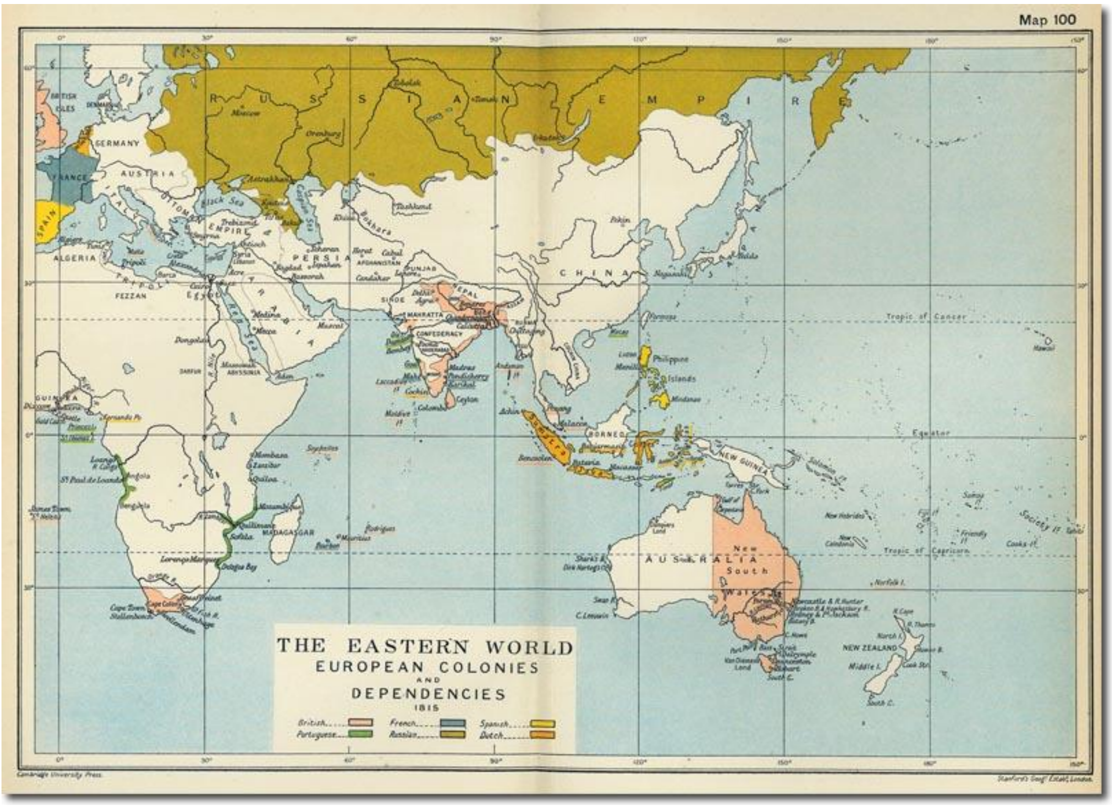


Figure 2. The British Empire. No date. “The Eastern World - European Colonies and Dependencies”. *The British Empire*. Accessed December 4. 2019, https://www.britishempire.co.uk/maproom/asiamap1815.htm

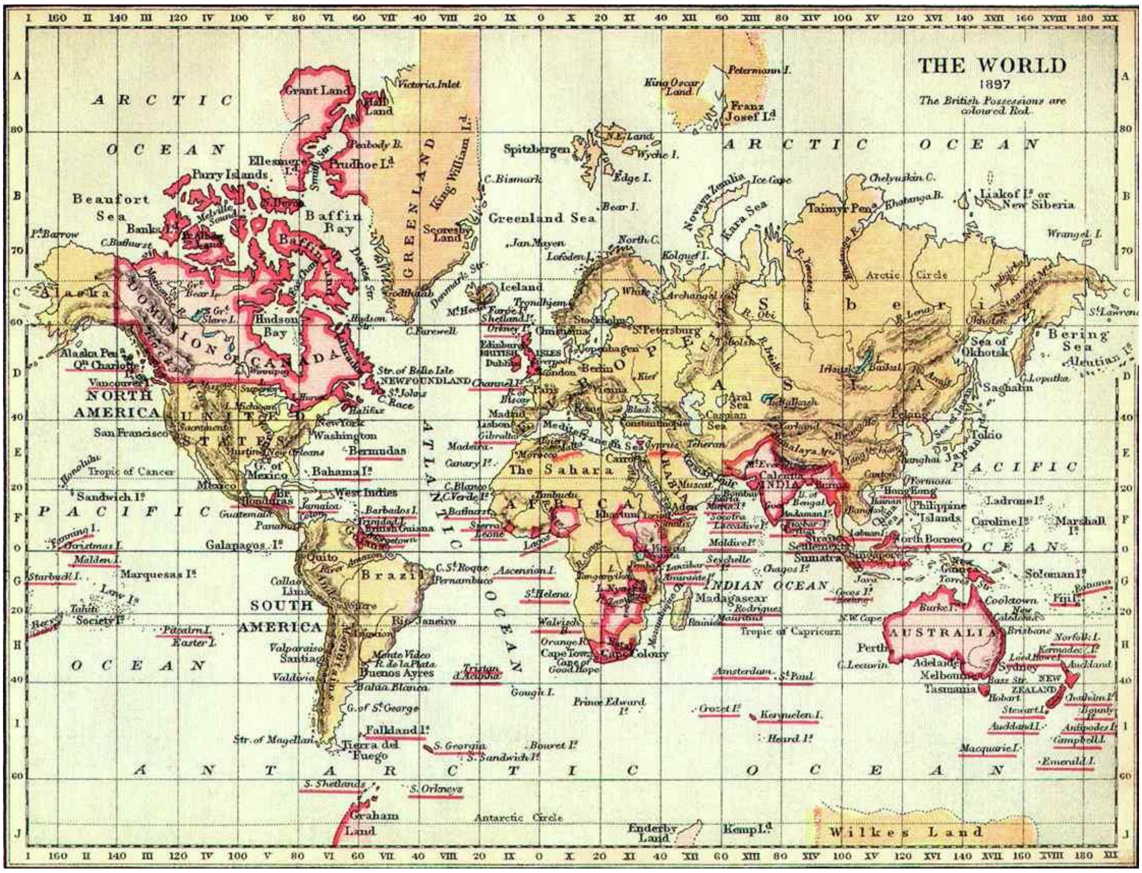


Figure 3. Unknown. 1897. “British Empire 1897”. *Cambridge University Library*. Accessed December 4. 2019, https://de.wikipedia.org/wiki/Britisches_Weltreich#/media/Datei:British_Empire_1897.jpg

**China:**


Figure 4. Encyclopædia Britannica, Inc. 2019. "China during the late Qing dynasty". *Encyclopædia Britannica*. Accessed December 4. 2019, https://www.britannica.com/topic/Qing-dynasty

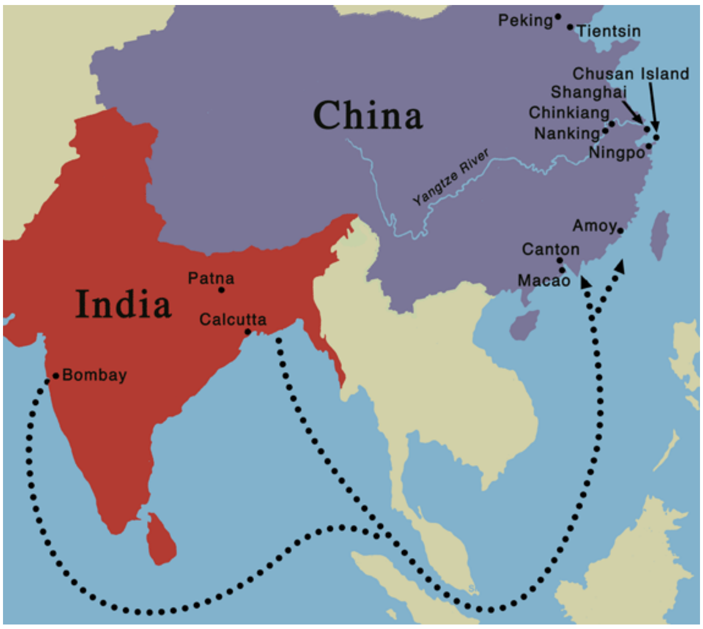


Figure 5. Perdue, Peter. 2011. "Opium routes between British-controlled India and China". *MIT Visualizing Cultures*. Accessed December 4. 2019, https://visualizingcultures.mit.edu/opium_wars_01/ow1_essay03.html.

**India:**

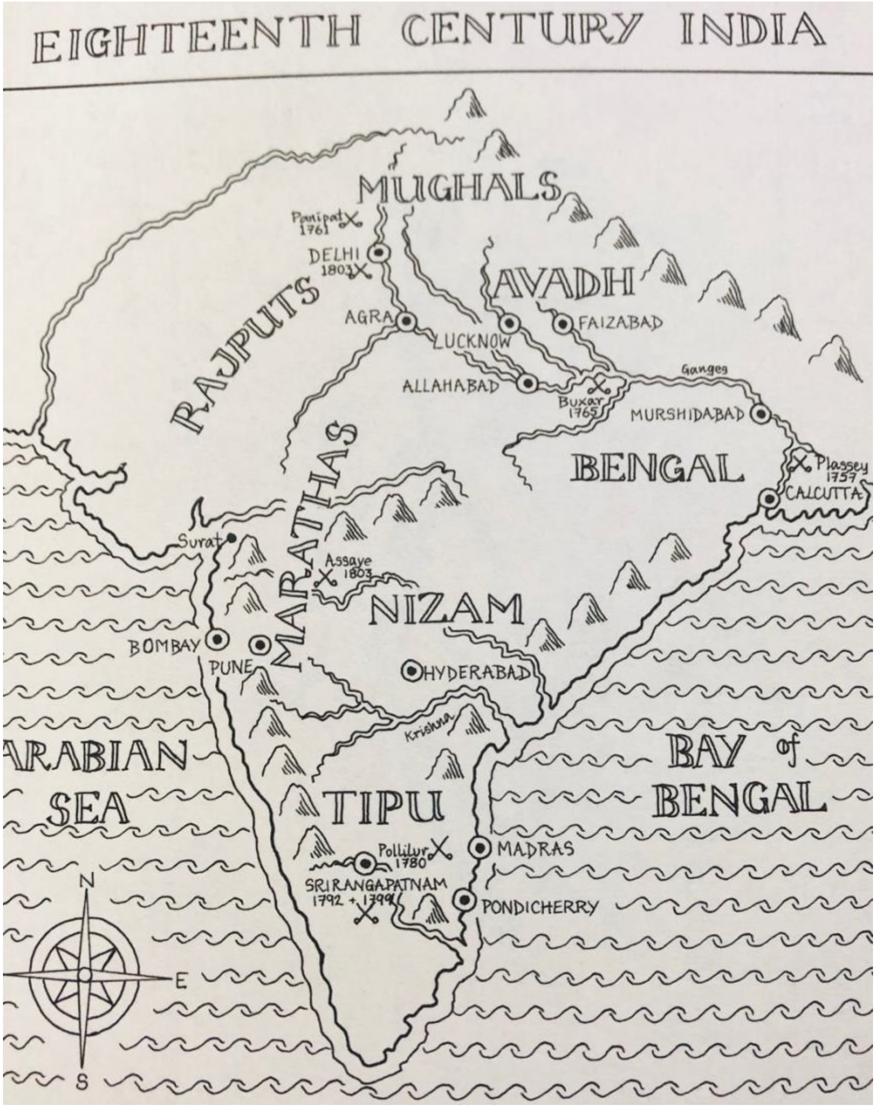


Figure 6. Dalrymple, William, and Olivia Fraser. 2019. “Eighteen Century India”. *The Anarchy*. London: Bloomsbury Publishing.

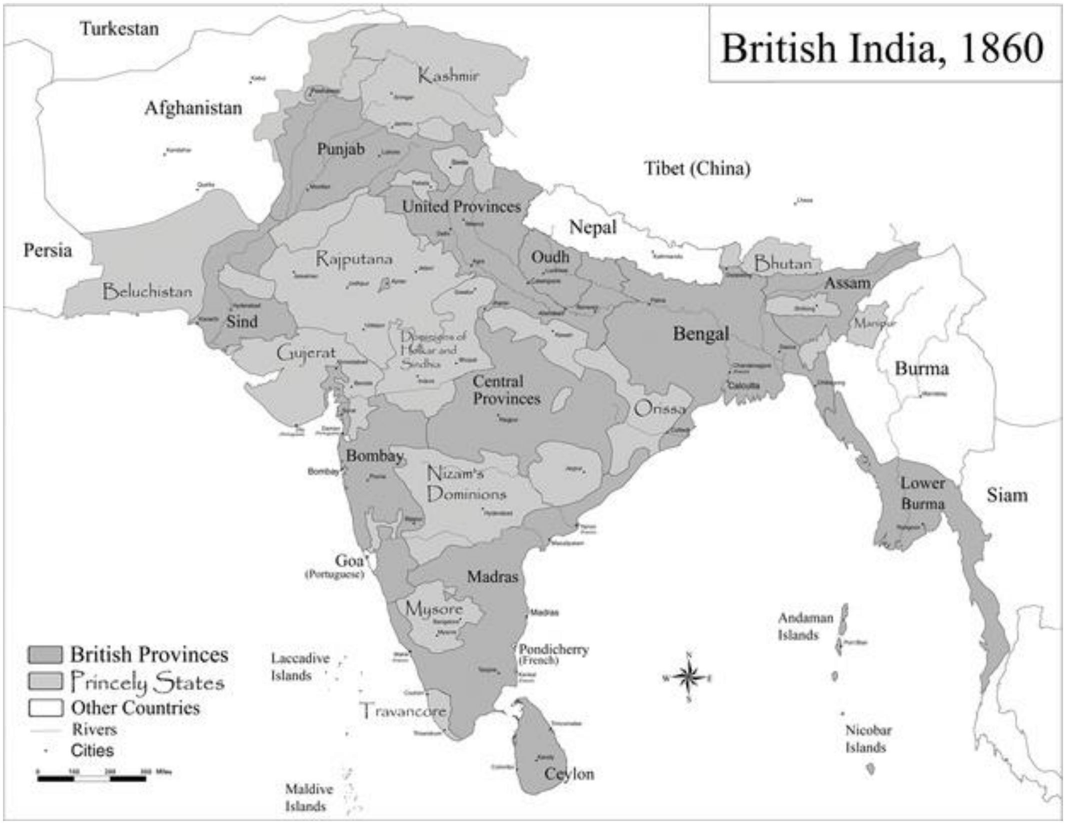


Figure 7. Zaib un Nisa Aziz. 2013. "British India, 1860". *Inquiries Journal.* Accessed December 4. 2019, http://www.inquiriesjournal.com/articles/760/anxieties-of-empire-examining-frontier-governance-in-19th-century-british-india

e. Charts

TABLE 4.5. *Exports and re-exports from England/Britain to America, Asia, and Africa, 1699–1774* (annual averages in thousands of pounds sterling; official values)

| *From:* | 1699–1701 England | | 1751–54 England | | 1772–74 England | | 1784–86 Britain | | 1794–96 Britain | |
|---|---|---|---|---|---|---|---|---|---|---|
| *To:* | America & Africa | East India | America & Africa | East India | America & Africa | East India | America & Africa | East India | America & Africa | East India |
| Exports | | | | | | | | | | |
| Woollens | 185 | 89 | 374 | 230 | 1,148 | 189 | 1,013 | 160 | 2,597 | 582 |
| Linens | 0 | 0 | 189 | 2 | 681 | 6 | 619 | 5 | 799 | 8 |
| Cottons, etc. | 16 | 0 | 78 | 0 | 176 | 0 | 456 | 0 | 2,630 | 1 |
| Silks | 36 | 0 | 60 | 1 | 133 | 3 | 264 | 5 | 497 | 4 |
| Metalware | 73 | 10 | 331 | 84 | 755 | 148 | 892 | 278 | 1,941 | 1,128 |
| Hats, etc.* | 24 | 2 | 59 | 20 | 93 | 10 | 249 | 35 | 696 | 60 |
| Miscellaneous | 141 | 10 | 480 | 301 | 995 | 334 | 1,583 | 1,287 | 2,459 | 1,504 |
| Total manufactures | 475 | 111 | 1,571 | 638 | 3,981 | 690 | 5,076 | 1,770 | 11,619 | 3,287 |
| Total exports | 539 | 122 | 1,707 | 667 | 4,176 | 717 | 5,465 | 1,813 | 12,628 | 3,539 |
| Re-exports | | | | | | | | | | |
| Calicoes/cottons† | 45 | 0 | 32 | 0 | 85 | 0 | 126 | 0 | 257 | 0 |
| Silks, etc. | 14 | 0 | 76 | 0 | 210 | 0 | | | | |
| Linens | 157 | 0 | 301 | 0 | 285 | 0 | 173 | 1 | 431 | 0 |
| Total manufactures | 252 | 3 | 432 | 2 | 596 | 7 | 356 | 1 | 724 | 0 |
| Tea | 0 | 0 | 113 | 0 | 82 | 0 | 60 | 0 | 31 | 0 |
| Total comestibles | 34 | 9 | 148 | 38 | 273 | 32 | 319 | 38 | 510 | 31 |
| Total raw materials | 26 | 2 | 47 | 41 | 103 | 24 | 53 | 30 | 56 | 56 |
| Total re-exports | 312 | 14 | 627 | 81 | 972 | 63 | 728 | 69 | 1,290 | 87 |
| Total exports and re-exports | 851 | 136 | 2,334 | 748 | 5,148 | 780 | 6,193 | 1,882 | 13,918 | 3,626 |

Figure 8. "Exports and re-exports from England/Britain to America, Asia, and Africa, 1699-1774." In Marshall, Peter J., and William R. Louis. 1998. *The Oxford History Of The British Empire: 2: The Eighteenth Century*. Oxford: Oxford University Press. 102.

Table 1–8b. **Population Growth Rates: Japan, China and Western Europe, 0–1998 A.D.**
(annual average compound growth rate)

| | ***0–1500*** | ***1500–1700*** | ***1700–1850*** | ***1850–1998*** |
|---|---|---|---|---|
| Japan | 0.11 | 0.28 | 0.10 | 0.93 |
| China | 0.04 | 0.15 | 0.73 | 0.75 |
| Western Europe | 0.06 | 0.18 | 0.47 | 0.58 |

Figure 9. "Population Growth Rates: Japan, China dn Western Europe." In Maddison, Angus. 2001. *The World Economy: A Millennial Perspective.* Paris: OECD Publications. 40.

| | China | Japan | Europe | United States | Russia | India | World |
|---|---|---|---|---|---|---|---|
| | | | | GDP (billion 1990 "international" dollars) | | | |
| 1700 | 82.8 | 16.2 | 83.5 | 0.6 | 12.6 | 81.2 | 359.0 |
| 1820 | 228.6 | 20.9 | 188.0 | 12.6 | 33.8 | 111.0 | 706.4 |
| 1952 | 305.7 | 202.9 | 1 758.2 | 1 677.1 | 512.6 | 226.6 | 5 916.1 |
| 1978 | 935.9 | 1 446.2 | 5 220.9 | 4 062.3 | 1 715.2 | 630.8 | 18 683.1 |
| 1995 | 3 196.3 | 2 476.3 | 7 004.8 | 6 149.5 | 648.7 | 1 437.0 | 29 421.3 |
| | | | | Population (million) | | | |
| 1700 | 138 | 27 | 96 | 1 | 21 | 153 | 594 |
| 1820 | 381 | 31 | 167 | 10 | 45 | 209 | 1 049 |
| 1952 | 569 | 86 | 402 | 158 | 186 | 372 | 2 609 |
| 1978 | 956 | 115 | 481 | 223 | 261 | 649 | 4 264 |
| 1995 | 1 205 | 126 | 502 | 263 | 148 | 917 | 5 664 |
| | | | | GDP per capita (1990 "international" dollars) | | | |
| 1700 | 600 | 600 | 870 | 600 | 600 | 531 | 604 |
| 1820 | 600 | 675 | 1 129 | 1 260 | 751 | 531 | 673 |
| 1952 | 537 | 2 351 | 4 374 | 10 645 | 2 928 | 609 | 2 268 |
| 1978 | 979 | 12 581 | 10 860 | 18 251 | 6 565 | 972 | 4 382 |
| 1995 | 2 653 | 19 720 | 13 951 | 23 377 | 4 383 | 1 568 | 5 194 |

Figure 10. "Comparative Levels of Economic Performance, China and Other Major Parts of the World Economy, 1700–1995." In Maddison, Angus. 2007. *Chinese Economic Performance in the Long Run, 960–2030 AD.* Paris: OECD Publications, 40.

Table 2.14
Value of Opium Imports, 1825–86
(in silver dollars)

| Year | Value | Year | Value | Year | Value |
|---|---|---|---|---|---|
| 1825 | $4,785,132 | 1846 | $17,085,280 | 1867 | $49,272,300 |
| 1826 | 5,549,520 | 1847 | 14,031,216 | 1868 | 40,237,120 |
| 1827 | 7,172,476 | 1848 | 21,382,876 | 1869 | 42,460,880 |
| 1828 | 5,051,772 | 1849 | 22,174,352 | 1870 | 41,398,280 |
| 1829 | 5,570,468 | 1850 | 20,296,312 | 1871 | 45,063,480 |
| 1830 | 5,918,064 | 1851 | 24,329,228 | 1872 | 42,585,620 |
| 1831 | 9,305,396 | 1852 | 25,883,664 | 1873 | 44,701,580 |
| 1832 | 7,216,044 | 1853 | 23,209,876 | 1874 | 43,990,100 |
| 1833 | 9,088,320 | 1854 | 22,739,912 | 1875 | 43,498,024 |
| 1834 | 7,638,212 | 1855 | 22,370,128 | 1876 | 48,068,276 |
| 1835 | 11,464,100 | 1856 | 26,022,344 | 1877 | 51,909,414 |
| 1836 | 15,737,836 | 1857 | | 1878 | 55,349,112 |
| 1837 | 11,617,136 | 1858 | | 1879 | 62,681,416 |
| 1838 | 11,164,528 | 1859 | | 1880 | 55,489,788 |
| 1839 | 765,688 | 1860 | | 1881 | 64,491,332 |
| 1840 | 5,071,548 | 1861 | | 1882 | 45,884,368 |
| 1841 | 7,357,604 | 1862 | | 1883 | 43,482,584 |
| 1842 | 11,281,408 | 1863 | | 1884 | 44,861,894 |
| 1843 | 16,918,168 | 1864 | | 1885 | 43,642,131 |
| 1844 | 16,534,364 | 1865 | | 1886 | 42,870,129 |
| 1845 | 22,166,940 | 1866 | | | |

Total (Opium), 1825–56 $436,899,912 Total (Opium), 1867–86 $951,937,827
Average, 1825–56 (A) $13,653,122 Average,1867–86 (B) $47,596,891
B/A=3

Figure 11. "Value of Opium Imports, 1825-86". In Lin, Manhoung. 2006. *China Upside Down: Currency, Society, and Ideologies, 1808–1856.* Cambridge: Harvard University Asia Center. 104.

Table 14.3. *U.K. imports from China, 1828–58 (£ million sterling)*

| Year | Tea 1 | Silk 2 | Other articles 3 | Aggregate 4 |
|---|---|---|---|---|
| *Official value* | | | | |
| 1828 | 3.268 | 0.078 | 0.135 | 3.481 |
| 1829 | 3.054 | 0.044 | 0.128 | 3.226 |
| 1830 | 3.190 | 0.007 | 0.035 | 3.232 |
| 1831 | 3.165 | 0.003 | 0.039 | 3.207 |
| 1832 | 3.171 | 0.010 | 0.026 | 3.207 |
| 1833 | 3.206 | 0.008 | 0.053 | 3.267 |
| 1834 | 3.203 | 0.214 | 0.090 | 3.507 |
| 1835 | 4.205 | 0.272 | 0.058 | 4.535 |
| 1836 | 4.852 | 0.474 | 0.097 | 5.423 |
| 1837 | 3.650 | 0.703 | 0.180 | 4.533 |
| 1838 | 3.900 | 0.279 | 0.131 | 4.310 |
| 1839 | 3.719 | 0.130 | 0.129 | 3.978 |
| 1840 | 2.258 | 0.091 | 0.040 | 2.389 |
| 1841 | 2.764 | 0.102 | 0.099 | 2.965 |
| 1842 | 3.741 | 0.066 | 0.149 | 3.956 |
| 1843 | 4.278 | 0.110 | 0.243 | 4.631 |
| 1844 | 5.175 | 0.141 | 0.249 | 5.565 |
| 1845 | 5.071 | 0.437 | 0.313 | 5.821 |
| 1846 | 5.453 | 0.678 | 0.511 | 6.642 |
| 1847 | 5.536 | 0.748 | 0.419 | 6.703 |
| 1848 | 4.735 | 0.862 | 0.222 | 5.819 |
| 1849 | 5.310 | 0.696 | 0.165 | 6.171 |
| 1850 | 4.937 | 0.700 | 0.212 | 5.849 |
| 1851 | 6.949 | 0.842 | 0.181 | 7.972 |
| 1852 | 6.530 | 0.945 | 0.238 | 7.713 |
| 1853 | 6.864 | 1.211 | 0.180 | 8.255 |
| *Computed real value* | | | | |
| 1854 | 5.380 | 3.583 | 0.162 | 9.125 |
| 1855 | 5.120 | 3.433 | 0.195 | 8.748 |
| 1856 | 5.123 | 4.106 | 0.192 | 9.421 |
| 1857 | 4.310 | 6.911 | 0.228 | 11.449 |
| 1858 | 5.036 | 1.837 | 0.170 | 7.043 |

Figure 12. "U.K. imports from China, 1828-58." In Wong, J. Y. 2002. *Deadly Dreams: Opium And The Arrow War (1856-1860) In China*. Cambridge: Cambridge University Press. 338.

**Table 5.** China balance of trade with Britain (Company and private trade) 1817–1833 ($ '000,000)

| Year | Imports | | | Exports | | | Balance |
|---|---|---|---|---|---|---|---|
| | EIC | Private | Total | EIC | Private | Total | |
| 1817 | 5.0 | 8.7 | 13.7 | 6.1 | 3.6 | 9.7 | −4.0 |
| 1818 | 4.3 | 8.7 | 13.0 | 5.9 | 4.1 | 10.0 | −3.0 |
| 1819 | 4.2 | 4.4 | 8.6 | 8.0 | 3.7 | 11.7 | 3.1 |
| 1820 | 4.9 | 10.1 | 15.0 | 8.3 | 5.1 | 13.4 | −1.6 |
| 1821 | 4.9 | 9.1 | 14.0 | 8.0 | 5.7 | 13.7 | −0.3 |
| 1822 | 3.7 | 13.3 | 17.0 | 8.5 | 4.2 | 12.7 | −4.3 |
| 1823 | 5.2 | 10.9 | 16.1 | 8.7 | 4.0 | 12.7 | −3.4 |
| 1824 | 5.2 | 10.9 | 16.1 | 8.0 | 4.0 | 12.0 | −4.1 |
| 1825 | 5.2 | 15.7 | 20.9 | 8.2 | 5.3 | 13.5 | −7.4 |
| 1826 | 5.9 | 15.7 | 21.6 | 9.4 | 4.3 | 13.7 | −7.9 |
| 1827 | 4.5 | 15.8 | 20.3 | 8.5 | 3.6 | 12.1 | −8.2 |
| 1828 | 4.9 | 15.4 | 20.3 | 7.7 | 6.3 | 14.0 | −6.3 |
| 1829 | 4.5 | 18.4 | 22.9 | 7.5 | 6.3 | 13.8 | −9.1 |
| 1830 | 4.2 | 17.4 | 21.6 | 7.8 | 5.3 | 13.1 | −8.5 |
| 1831 | 3.7 | 16.8 | 20.5 | 7.8 | 5.2 | 13.0 | −7.5 |
| 1832 | 4.0 | 18.3 | 22.3 | 8.0 | 4.6 | 12.6 | −9.7 |
| 1833 | 4.4 | 19.1 | 23.5 | 7.7 | 5.8 | 13.5 | −10.0 |

Figure 13. "China balance of trade with Britain." In Le Pichon, Alain. 2006. *China Trade and Empire: Jardine, Matheson & Co. And the Origins of British Rule in Hong Kong; 1827 - 1843*. Oxford: Oxford University Press. 13.

Table 15.8. *Triangular exports: From India to China, China to the United Kingdom, and the United Kingdom to India, 1827–58 (£ million sterling)*

| Year | Indian exports to China (Declared value) 1 | Chinese exports to the United Kingdom (Official value) 2 | U.K. exports to India (Declared value) 3 |
|---|---|---|---|
| 1827 | 2.52 | 4.10 | 4.27 |
| 1828 | 2.91 | 3.48 | 3.96 |
| 1829 | 2.27 | 3.23 | 3.52 |
| 1830 | 2.45 | 3.23 | 3.74 |
| 1831 | 2.46 | 3.21 | 3.19 |
| 1832 | 3.18 | 3.21 | 3.32 |
| 1833 | 2.62 | 3.27 | 3.21 |
| 1834 | 3.56 | 3.51 | 2.96 |
| 1835 | 2.87 | 4.56 | 3.69 |
| 1836 | 4.43 | 5.42 | 4.74 |
| 1837 | 5.44 | 4.53 | 3.94 |
| 1838 | 4.30 | 4.31 | 4.17 |
| 1839 | 4.26 | 3.98 | 5.32 |
| 1840 | 1.01 | 2.39 | 7.12 |
| 1841 | 2.18 | 2.96 | 6.44 |
| 1842 | 2.88 | 3.96 | 5.68 |
| 1843 | 4.40 | 4.63 | 7.16 |
| 1844 | 5.72 | 5.57 | 8.62 |
| 1845 | 5.55 | 5.82 | 7.32 |
| 1846 | 6.51 | 6.64 | 7.17 |
| 1847 | 5.23 | 6.70 | 6.23 |
| 1848 | 4.24 | 5.82 | 5.86 |
| 1849 | 6.53 | 6.17 | 7.87 |
| 1850 | 6.40 | 5.85 | 8.80 |
| 1851 | 6.35 | 7.97 | 8.47 |
| 1852 | 8.52 | 7.71 | 7.89 |
| 1853 | 7.62 | 8.26 | 8.72 |

Figure 14. "Triangular exports." In Wong, J. Y. 2002. *Deadly Dreams: Opium And The Arrow War (1856-1860) In China*. Cambridge: Cambridge University Press. 377.

Table 15.9. *Triangular imports: India from China, China from United Kingdom, and United Kingdom from India, 1827–58 (£ million sterling)*

| Year | Indian imports from China (U.K. official value) 1 | Chinese imports from United Kingdom (U.K. declared value) 2 | U.K. imports from India (U.K. official value) 3 |
|---|---|---|---|
| 1827 | 0.69 | 0.63 | 3.65 |
| 1828 | 0.76 | 0.85 | 4.77 |
| 1829 | 0.73 | 0.69 | 4.52 |
| 1830 | 0.82 | 0.60 | 4.32 |
| 1831 | 0.81 | 0.61 | 4.61 |
| 1832 | 0.48 | 0.57 | 4.95 |
| 1833 | 0.45 | 0.65 | 4.55 |
| 1834 | 0.54 | 0.87 | 5.08 |
| 1835 | 0.52 | 1.15 | 4.99 |
| 1836 | 0.54 | 1.55 | 7.03 |
| 1837 | 0.53 | 0.81 | 7.08 |
| 1838 | 0.44 | 1.32 | 6.14 |
| 1839 | 0.46 | 0.89 | 6.94 |
| 1840 | 0.20 | 0.54 | 8.08 |
| 1841 | 0.63 | 0.91 | 10.48 |
| 1842 | 0.57 | 1.03 | 9.59 |
| 1843 | 0.57 | 1.75 | 9.08 |
| 1844 | 0.64 | 2.39 | 10.78 |
| 1845 | 0.80 | 2.51 | 11.12 |
| 1846 | 0.73 | 1.93 | 9.63 |
| 1847 | 0.67 | 1.60 | 11.61 |
| 1848 | 1.01 | 1.54 | 11.19 |
| 1849 | 0.83 | 1.59 | 12.42 |
| 1850 | 0.81 | 1.62 | 14.16 |
| 1851 | 0.99 | 2.23 | 14.97 |
| 1852 | 0.92 | 2.56 | 13.65 |
| 1853 | 0.87 | 1.81 | 16.83 |

Figure 15. "Triangular imports." In Wong, J. Y. 2002. *Deadly Dreams: Opium And The Arrow War (1856-1860) In China*. Cambridge: Cambridge University Press. 379.

*Table 8.2* Flows of silver into and out of China 1761–1833

| *Date* | *Tons* |
|---|---|
| 1761–1770 | 132 |
| 1771–1780 | 293 |
| 1781–1790 | 637 |
| 1791–1800 | 200 |
| 1801–1810 | 1034 |
| 1811–1820 | 385 |
| 1821–1830 | –88 |
| 1831–1833 | –384 |

Figure 16. "Flows of silver into and out of China 1761-1833." In Robins, Nick. 2012. *The Corporation that Changed the World: How the East India Company Shaped the Modern Multinational.* London: Pluto Press. 159.

**Table 4** Net flow of silver from China, 1818–1854 (all figures in millions of pesos)

| | *A* *Silver imports* | *B* *Silver exports* | *Net flow of silver (A–B)* |
|---|---|---|---|
| 1818–20 | 19.31 | 9.42 | +9.89 |
| 1821–25 | 26.13 | 5.12 | +21.01 |
| 1826–30 | 12.72 | 25.68 | −12.96 |
| 1831–35 | 5.17 | 24.98 | −19.81 |
| 1836–40 | 2.77 | 32.26 | −29.49 |
| 1841–45 | 2.34 | 53.67 | −51.33 |
| 1846–50 | 0.24 | 30.82 | −30.57 |
| 1851–54 | 0.82 | 21.51 | −20.69 |
| Total | 69.51 | 203.46 | −133.95 |

Figure 17. “Net flow of silver from China, 1818-1854.” In Glahn, Richard. 2018. *Economic Depression and the Silver Question in Nineteenth-Century China.* In: Perez Garcia M., De Sousa L. (eds) Global History and New Polycentric Approaches. Palgrave Studies in Comparative Global History. Singapore: Palgrave Macmillan.100.

Table 2.16
World Production of Gold and Silver, 1741–1910
(in 1,000 ounces)

| Period | Gold | Silver |
|---|---|---|
| 1741–60 | 791 | 17,100 |
| 1761–80 | 665 | 21,000 |
| 1781–1800 | 572 | 28,300 |
| 1801–10 | 572 | 28,700 |
| 1811–20 | 368 | 17,400 |
| 1821–30 | 457 | 14,800 |
| 1831–40 | 652 | 19,200 |
| 1841–50 | 1,762 | 25,000 |
| 1851–60 | 6,313 | 26,500 |
| 1861–70 | 6,108 | 39,000 |
| 1871–80 | 5,472 | 66,800 |
| 1881–90 | 5,200 | 97,200 |
| 1891–1900 | 10,165 | 161,400 |
| 1901–10 | 18,279 | 182,600 |

Figure 18. “World Production of Gold and Silver, 1741-1910.” In Lin, Manhoung. 2006. *China Upside Down: Currency, Society, and Ideologies, 1808–1856.* Cambridge: Harvard University Asia Center. 110.

**Table 1 Port Fee Calculations of the VOC Ship *Duifje* in 1730**[41]

Length 67.99 covids x width 22.70 covids = 1543.373/10 = 154.3373. The Duifje was entered as a 2nd rate, which was 7.143 taels per covid (usually 7.142 taels was the 2nd rate), which amounted to 1,102.431 taels. The following calculations had to be made to come up with the final measuring fee and the total port fee.

| | |
|---|---|
| | Taels 1,102.431 |
| Emperor's discount of 20 percent | 220.486 |
| Subtotal A | 881.945 |
| Hoppo's 10 percent | 88.194 |
| Subtotal B | 970.139 |
| Sycee 7 percent to compensate for difference in alloy content | 67.909 |
| Hoppo's servants' 2 percent | 17.638 |
| Final measurage fee | 1,055.686 |
| Emperor's Present | 1,950.000 |
| Total Port Fee Due | 3,005.686 |

Figure 19. "Port Fee Calculations of the VOC Ship Duifie in 1730." Van Dyke, Paul A. 2005. *The Canton Trade.* Hong Kong: Hong Kong University Press. 27.

**Chart: Economics of opium trade**

<table>
<tr><th>Trade</th><th>Finance</th><th>Micro</th><th>Macro</th></tr>
<tr>
<td>Free trade models:<ul><li>Riccardo</li><li>Heckscher-Ohlin</li></ul>Comparative advantage<ul><li>Britain: Industrialization, science and artwork (telescopes, clocks, barometers)</li><li>China: tea, silk, spices</li></ul></td>
<td>Balance of payments<br>(Capital vs. Current Account)<br><br>Before the opium trade (before 1810), Britain's BoP was always in the reds whereas China benefited from its exports. This changed when opium was introduced into the market.</td>
<td rowspan="2">Supply and Demand:<br><br>Opium Supply: Portuguese, Dutch, British with East India Company.<br>Production function, Monopoly, market power<br>Production sites: India, Middle East (Turkey)<br><br>Opium Demand: addiction, narcotic, no alternative drugs, tobacco as a complementary good which increased consumption, opium as a form of currency, the whole system became dependent on the opium trade (merchants, smugglers, bankers)</td>
<td>GDP, growth theory<br><br>Compare China and Great Britain's GDP and growth rates which emphasis on the industrial revolution in Europe<br><br>GB as a frontrunner/hegemon</td>
</tr>
<tr>
<td>Standard Trade Model<br>(with relative demand and relative supply curves RS-RD)<br><br>Tariffs/Subsidies<br>China imposing tariffs on opium and banning it</td>
<td rowspan="2">Foreign exchange market/ Currencies<br><br>Silver was imported from the New World and Japan.<br>Role of Latin Americas independence movements (1810s -1820s) on global silver price? – 56.6 percent decline in world silver production.<br>Did opium at some point replace silver as a currency?<br><br>Credit Market:<ul><li>East India Company getting loans from Indian bankers, the Crown.</li><li>Loan system in canton</li></ul></td>
<td rowspan="2">Keynes (IS -LM)<br><br>Output is not determined by supply but by demand.<br>Assumes that prices are fixed/given.<br>Income/Output and interest rates are determined by the IS-LM model.<br><br>Model is useful during recessions.</td>
</tr>
<tr>
<td>Arguments against free trade:<ul><li>Infant Industry (China and India)</li><li>Market power (Great Britain and the East India Company)</li><li>Externalities (Negative externalities of Opium – Demerit good)</li></ul></td>
<td>Game Theory (Morgenstern and Neumann)<br>Free trade vs ban/trade war<br><br>Externalities, Merit/Demerit Goods<br>Opium trade</td>
</tr>
</table>

Figure 20. "Economics of opium trade." Based on Lovell, Julia. 2011. *The Opium War*. London: Picador.

f. Power Structures

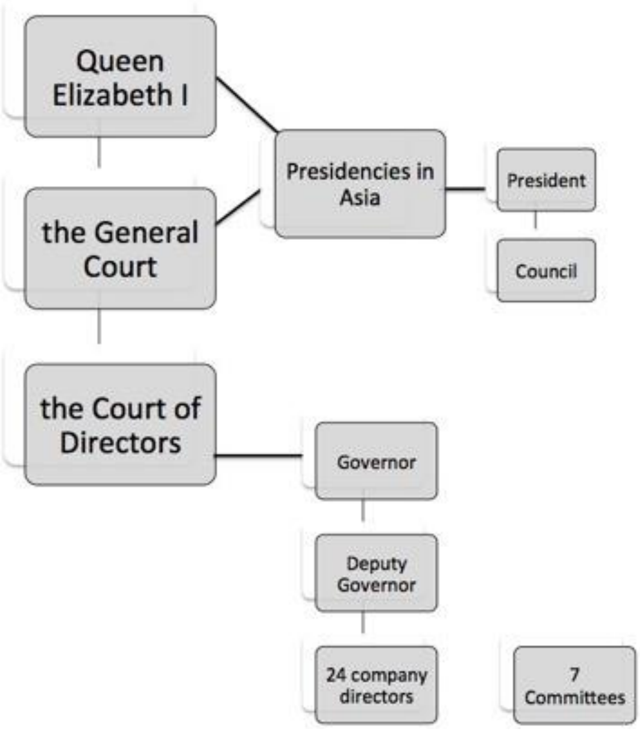


Figure 21. “The organizational structure of the EIC”. 2018. *Shrimpamongwahles*. Accessed December 4. 2019, https://shrimpamongwhales.com/2018/01/07/organizational-structure-and-army-of-the-east-india-company/

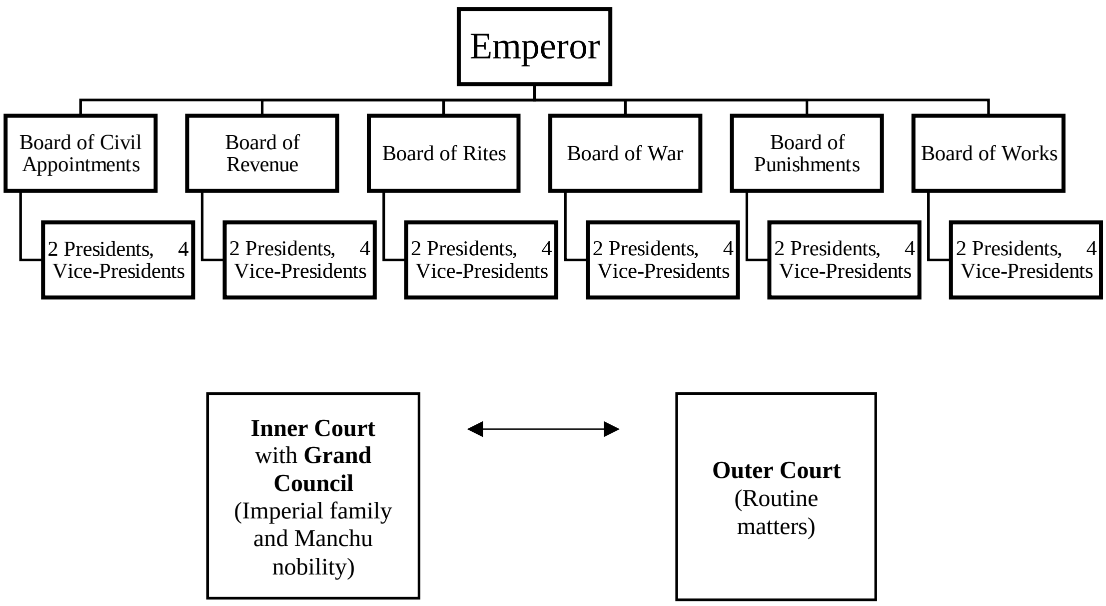


Figure 22. “Qing dynasty political structure”. Based on Lovell, Julia. 2011. *The Opium War*. London: Picador.

# Pledge of Honesty

*"On my honour as a student of the Diplomatische Akademie Wien, I submit this work in good faith and pledge that I have neither given nor received unauthorized assistance on it."*

# Vita and Acknowledgements

After growing up in Carinthia, I graduated with honors from the Ingeborg Bachmann Gymnasium in 2014. I moved to Vienna in order to continue my academic education and studied International Business Administration at the Vienna University of Economics (WU) and the Kingston University in London. Before starting the MAIS program at the Diplomatische Akademie Wien, I worked as a Research Analyst at Venionaire Capital and spent two months in Indonesia as a volunteer for the Austrian Federal Economic Chamber.


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