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Opium and the Beginnings of Chinese Capitalism in Southeast Asia

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The article suggests that the development of Chinese capitalism in nineteenth-century Southeast Asia was intimately connected to the participation of Chinese merchants in the financing and operation of opium revenue farming concessions. It examines the development and structure of the opium farming system as it operated in the region.

This article deals with the relationship between opium revenue farming and the development of capitalist enterprises in Southeast Asia. It examines the role which opium played in the transformation of all Asian economies during the late eighteenth and nineteenth centuries. While few would deny that the unprecedented expansion of the opium trade by European traders had a major, usually destructive impact on Asian economic systems and political and social institutions, the long-term results of opium in the Asian, particularly Southeast Asian, economies are less well understood. Most specifically, the opium farming systems which existed in virtually every Southeast Asian state (as well as parts of China and India) were important adjuncts of capitalist development in the region.

The practice of farming out portions of the state's revenue was a common one in pre-modern Southeast Asia. In order to collect a tax from their population without spending scarce resources on bureaucracy and infrastructure, most colonial governments, together with indigenous political entities, preferred to 'farm out' revenue collection to private individuals. They would auction off the right to collect a specific tax or to hold the monopoly on the distribution and sale of some excisable item, such as liquor or opium. The monopolist, or farmer, as he was called, provided his own organisation to carry out the task and charged as much as he felt economically realistic to the consumer, paying his overhead and rent to the government and pocketing the remainder as his profit.

There were many different types of farms in nineteenth-century Southeast Asia, including farms for liquor, pork, prostitution, gambling, markets, tolls, capitation taxes and others. Of all the various farms which we find in nineteenth-century Southeast Asia, opium was by far the most lucrative. Opium generated a high level of cash flow and thus created large pools of capital. There were, then, numerous links between capitalist development in Southeast Asia and the opium farms and farmers. More importantly, however, the farms also financed commodity production and helped to generate the

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infrastructure for consumer economies. These institutions helped to create and finance the state structures that protected businessmen and their profits. I have argued elsewhere that free trade in ports such as Singapore and Hong Kong was possible only because opium revenues provided such reliable and lucrative flows of cash to the colonial governments. In fact, all Asian governments depended upon opium farms for major portions of their revenue.¹

If we look only at the returns to governments from these institutions, it is clear that the entire colonial project was heavily reliant on opium revenues. In fact, we could even argue that it would have been impossible without them. Certainly this was the case for Singapore and the other Straits Settlements, where opium accounted for between 30 and 60 per cent of the locally collected revenue in every single year for the entire century after 1819, and generally averaged between 40 and 50 per cent of total annual revenues. Other colonies were less dependent on opium and drew revenues from a variety of other sources including trade, land rent, capitation and export production. Nevertheless, opium revenues still came to make up an important and often crucial share of their colonial budget.

Between 1886 and 1895, the Netherlands Indies' farms supplied 18 per cent of the colony's revenue. This figure is based on the total revenues, which included profits from colonial enterprises and trading commodities delivered to Holland. If we look only at tax revenues, opium actually constituted about 35 per cent. In French Cochinchina opium was the single largest revenue-generating operation for two decades; between 1861 and 1882 the Saigon farm contributed about 30 per cent of the colonial revenues. In Siam the opium farm generated one-seventh of the total government revenue and by 1905-6 it had risen to nearly one-fifth. The opium farms were less important in British Burma and the Philippines, but they still generated significant revenues.²

By the 1880s, there were a number of relatively distinct types of opium farming systems in operation in Southeast Asia. Although Chinese capitalists ran all of the farms, not all consumers of opium were Chinese. There were areas such as Java, central Siam and perhaps Cochinchina and Tonkin where the majority of the users were indigenous Southeast Asians. By contrast, there were those areas such as the tin fields of western Malaya and the pepper and gambier villages of Johor and Riau where the consumers were exclusively Chinese. The ethnic identity of the users signalled an important

1 Carl Trocki, 'The Collapse of Singapore's Great Syndicate', in *The Rise and Fall of Revenue Farming: Business Elites and the Emergence of the Modern State in Southeast Asia*, ed. John Butcher and Howard Dick (London: St. Martin's, Press, 1993), pp. 166-81.

2 Figures for the Netherlands Indies are from F. W. Diehl, 'Revenue Farming and Colonial Finances in the Netherlands East Indies, 1816-1925', in Butcher and Dick ed., *Rise and Fall*, p. 208. On Siam, see Ian Brown, 'The End of the Opium Farm in Siam 1905-7', in Butcher and Dick ed., *Rise and Fall*, p. 233; the farm earned 5 million baht in 1901-2 out of a total government revenue of 36 million baht and in 1905-6 it had risen to 10 million baht out of a total 52 million. Other studies include Edgar Wickberg, *The Chinese in Philippine Life 1850-1898* (New Haven and London: Yale University Press, 1965); John Butcher, 'The Demise of the Revenue Farm System in the Federated Malay States', *Modern Asian Studies*, 17 (1983): 387-412; James R. Rush, *Opium to Java: Revenue Farming and Chinese Enterprise in Colonial Indonesia, 1800-1910* (Ithaca: Cornell University Press, 1990); Chantal Descours-Gatin, *Quand l'opium finançait la colonisation en Indochine: L'élaboration de la régie générale de l'opium (1860-1914)* (Paris: L'Harmattan, 1992), pp. 101-2; Philippe Le Failler, 'Le mouvement international anti-opium et l'Indochine, 1906-1940' (Ph.D. diss., Université de Provence, 1993); and Hakiem Nankoe, Jean-Claude Gerlus and Martin J. Murray, 'The Origins of the Opium Trade and the Opium Regies in Colonial Indochina', in Butcher and Dick ed., *Rise and Fall*, p. 189.

distinction in the overall structure of the farms themselves. While both types generally contributed to the extension of the power and expansion of revenues for the colonial states, the 'all-Chinese' revenue farming operations seem to have been the most dynamic economically.

By the end of the nineteenth century, farms in urban areas had begun to operate along lines that were relatively distinct from those in Java and Malaya. These urban farms were different in that they often had no direct links to specific elements of the local economy, but rather depended on a consuming population drawn from the variegated membership of the urban working classes. These tended to be labourers engaged as rickshaw pullers, stevedores, coal-heavers, porters, or working in general construction and the building trades.

Opium farms and capitalism

Before the nineteenth century, it is no exaggeration to say that capitalism did not really exist in Southeast Asia. While there was a certain amount of production for export, it was inevitably handwork and rarely did the actual producer obtain a cash income for his or her labour. Such efforts were usually carried out as minor adjuncts to subsistence production. Even those who did produce for the global market rarely sold their goods into the market and they consumed even less from it. Many exchanges were ritualised and took place within relations of dependence. Despite centuries of commerce, there was no real middle class in any Southeast Asian society, nor was there any 'free' wage labour. There were no properly commercial forms of production, finance or banking and there were no systems of law that would have protected or regulated such enterprises. Rulers were arbitrary and absolute; wealth in itself could not effectively exist without the protection of the power elites. Such elites could and did regularly confiscate or otherwise appropriate to themselves all economic resources that they came to covet.

Capitalism came with European colonialism and with the connection of Southeast Asian economies to the global capitalist system. It should not, however, always be assumed that Europeans themselves consciously created capitalism in Southeast Asia. Except for drawing in products and making cash and import products available, European institutions did not readily interface with Southeast Asian economies. The Chinese largely created capitalist institutions and forms of organisation in this region; Chinese-run opium farms had a very important role in this process.

Opium farming was closely tied to the development of many forms of Chinese business in Southeast Asia. It was, first of all, probably the biggest single moneymaking operation of all the various occupations in which Chinese were engaged. Opium farmers were inevitably the richest and most powerful individuals in their communities. While the day-to-day business of running an opium farm was quite mundane, the farmers were generally masters of large-scale, rent-taking enterprises. They and the farms performed several important functions in the growth of capitalist economic structures in the region. In the first place, they pulled together the financial resources to operate the farms as businesses. They organised large groups of investors into companies or *kongsi*, as they were then called. The farmers then managed these investments and made them grow. In this regard, the farms, particularly the opium farms, were important vehicles for capital accumulation. It can be argued that they were the first and perhaps most effective means

of accumulation in nineteenth-century Southeast Asia.

A second important role in capitalist development was the close relationship that came to exist between the farms and systems of commodity production. In particular, the production of exportable commodities such as tin, gold, pepper, gambier, sugar, rice and a number of other products was closely tied to the opium farming system. China provided the first real source of free wage labour in Southeast Asia. As immigrant workers moved into the region during the nineteenth century, most of them were recruited for tin or gold mining or else for the planting of pepper and gambier, sugar, tobacco and, ultimately, rubber. These mining and planting operations were generally found in Malaya, Sumatra, southern Siam, Tonkin, Borneo and a few other places. In more populous parts of Southeast Asia, such as Siam, Java, Cochinchina and southern Burma, a move was made to expand rice production as well as a number of other commercial crops, including sugar, coffee, cloves and indigo. In these areas, the labour force was largely indigenous, and Chinese labour was less significant.

These systems of production were partially or completely linked to the market, depending on their location. Chinese labourers such as those found in Malaya, Borneo and Sumatra produced for the market. They worked for wages or shares and were also supported by a market for their consumption. Very often, their worksites were far from major colonial or other urban settlements and were supplied entirely from outside sources. Normally, the capitalists who supported production would advance provisions to the labourers in exchange for their products. In addition to profiting from both a mark-up of the value of the provisions and a discount of the produce, these investors also held shares or controlled the opium farming concessions in the area where the labourers worked. They thus were in a position to absorb a large share of the latter's wages through sales of opium. The labourers ultimately found themselves deeply in debt to the capitalists, and frequently addicted to opium as well; they were thus locked into a cycle of both debt and addiction. The capitalist, for his part, was able to rely on supplies of valuable commodities at extremely low prices, and could count on having a captive labour force.

The farms freed up capital, which allowed the Chinese who invested in production to expand their operations or to diversify, and at the same time established a class of consumers. Opium thus became one of the first mass-consumption commodities in Southeast Asia. The cash flowing from opium purchases not only enriched the farmers and their shareholders, but also supported the newly established colonial states, as we have already seen.

By the end of the nineteenth century, there existed a bourgeoisie and a working class, which were linked together by systems of commodity production and consumption. Increasing amounts of industrial raw materials were being exported from Southeast Asia, and wage-earning populations there were dependent upon consumables delivered by global capitalist enterprises. Large, jointly owned financial syndicates had come to dominate the economies of the region and were supplying capital for a wide range of activities by the new class of Chinese entrepreneurs. It will be useful to look at these systems in more detail and to note the changes that took place in the revenue farming systems by the end of the century.

Malayan opium farms

In the type of opium farm which existed in Singapore, Johor and western Malaya, the vast bulk of the consumers were Chinese labourers. This type of farm was common in areas like the Malay world where indigenous population densities were typically low and where large concentrations of immigrant labour were necessary to extract some specific commodity. Another significant aspect of these farms was that they were integrally attached to specific commodity production enterprises – tin, pepper and gambier, sugar, etc. There was a regional integrity to these farming systems: for instance, the major investors in the Singapore and Johor farms prior to 1880 were the same capitalists who dominated the pepper and gambier business.³ The entire area around Singapore where pepper and gambier were grown came to be dominated by the same opium farming syndicates. Likewise, the tin-mining *taukeh* of Penang controlled the farms of Perak and Selangor. Like Singapore, Penang then became the centre from which the opium farmers – who also invested in tin-mining operations – dominated the local economy. During the mid-nineteenth century these farmers and their secret society allies were key players in the disturbances over tin mining in the western Malay states.

Organisationally, these farms had come into being as a result of an evolutionary process. Chinese *kongsi* were created as joint enterprises which often included Chinese merchants and labourers. Initially, it seems these had provided a structure for labour organisation and investment, particularly in the parts of Southeast Asia removed from colonial rule and in locations with predominantly non-native populations. The *kangchu* system which characterised production in Johor, Singapore and Riau grew out of Chinese socio-economic institutions.⁴ The same was true of the gold-mining *kongsi* of Borneo and the tin-mining enterprises of Bangka and the Malay Peninsula. All bore some resemblance to, and ultimately had a connection to, a secret society organisation. These institutions tied capital, labour and specific commodity production systems to opium.

Initially, it seems, many *kongsi* were formed as partnerships between labourers on one mine or plantation and the investor who supplied capital in the form of tools, provisions and transportation. The merchants or organisers were usually responsible for procuring the necessary permission for the venture from the local authorities, in the process obtaining the rights to farm opium, spirits and other consumables. Ideally, when the goods were produced, each member of the *kongsi* would gain a fixed share in the profits. In this system, the large investors gained the exclusive right to sell the produce on the market, and also to supply the community of producers through a local shop. Ultimately, this arrangement evolved into a sort of company store set-up whereby the labourers ran up debts against their future shares or wages. In a typical nineteenth-century *kangchu* settlement in Johor, the *kangkar*⁵ shops would provide the labourers with whatever consumer goods they needed, including opium. Letters of authority

3 See Carl A. Trocki, *Prince of Pirates: The Temenggongs and the Development of Johor and Singapore, 1784-1885* (Singapore: Singapore University Press, 1979); *idem.*, *Opium and Empire: Chinese Society in Colonial Singapore 1800-1910* (Ithaca: Cornell University Press, 1990); and Butcher, 'Demise of the Revenue Farm'.

4 *Kangchu* ('lord of the river') was a term used to refer to Chinese headmen in the pepper and gambier settlements on the various rivers of Johor during the nineteenth century.

5 *Kangkar* ('river foot') referred to the settlement or village at the river mouth which acted as the seat of the *kangchu* and the administrative and marketing centre for up-river planters.

usually gave the *kangchu* the rights to sell opium and pork and to manage gambling, pawnbroking and prostitution concessions. Ultimately, it is clear that opium became the most important commodity traded at these shops.

While it may seem extraordinary by modern standards, contemporary observers believed that opium was a necessity of life for these coolies. In contrast to contemporary anti-opium propaganda, much evidence suggests that opium did not immediately turn its users into soporific vegetables or sunken-chested hulks. Some commentators report that coolies could work half the day, sit down for a rest, take a few puffs from an opium pipe, and then get up 'refreshed' and work for several more hours. This view was expressed by John Anderson, a Singapore merchant interviewed by the Royal Commission on Opium, which was sent by the British Parliament to investigate the trade in 1894:

I have travelled on both sides of the Malay Peninsula, over tin mining districts, and have seen thousands and thousands of Chinese miners working in swarms at tin mines, displaying physical energy and endurance that the white man, under similar conditions, could not have and apply, and at the same time keep his full health ... And when I have seen these Chinamen after working all but naked for hours together in water up to their knees, go back to their quarters, and either before or after their meal, or both, smoke a pipe or pipes of opium apparently without prejudicial effect, I have marvelled at the arbitrary inconsistency of some people in Britain who, with no true knowledge of the matter ... would say to (a Chinese) 'Opium you shall not have.'⁶

It would be a mistake to dismiss comments of this sort out of hand. Given the dismal conditions under which Chinese coolies laboured, we should consider the possibility that opium was in fact a necessity, that it was a 'work drug'. Opium is a sovereign painkiller; it reduces fever, stops up the bowels and eases the mind, making it possible for one to forget loneliness, hopelessness, hunger and fatigue. These men lived and worked in some of the most unhealthy conditions in the world with literally no medical care. Lenore Manderson's description of health conditions on Malayan estates gives an idea of the problems they faced:

Poor hygiene and sanitation led to high rates of diarrhoeal disease and helminthic infections, particularly ankylostomiasis (hookworm). Although some contemporary commentators argued that coolies were reluctant to use the latrines because of 'terrors of darkness ... sickness-producing odours and ... restrictions of caste', lines usually lacked latrines and as a result soil pollution was pervasive, the grounds around the lines and beyond were dirty and infected. Poor drainage systems, the disruption of undergrowth, and swampy ground favoured the breeding of *Anopheles* mosquitos, the vector of malaria, and hence the incidence of malaria was also typically high despite considerable variation with respect to both the vector and endemicity.⁷

Given this situation, opium appeared to solve many problems.

Most writers, while remaining aware of the addictive quality of opium, still saw that

6 *First Report of the Royal Commission on Opium: With Minutes of Evidence and Appendices...etc.* (London: Her Majesty's Stationery Office, 1894-5), vol. V, p. 175.

7 Lenore Manderson, *Sickness and the State: Health and Illness in Colonial Malaya, 1870-1940* (Cambridge: Cambridge University Press, 1996), pp. 132-3.

it had many useful medical applications against the numerous illnesses endemic in tropical Asia, and opium was a common element in many native and European remedies during the nineteenth century. Writing as late as 1938, Jacques Dumarest observed that 'opium ... is a valuable medication for many sicknesses that are particularly common in the Far East. According to the dosage and the time, its effects are by turn stimulating, calming, analgesic, and sleep-inducing.' Dumarest also noted its use against cholera, dysentery and malaria as well as beri-beri and neurasthenia.⁸

On the other hand, it remains clear that opium was not really a cure for any of these diseases. It masked the symptoms and perhaps did the user a disservice because it was possible to ignore the messages of pain and discomfort and go on working while the disease undermined his strength and left him vulnerable to more serious health problems. One thing is clear, however: European contemporaries understood quite well both the positive and negative effects of opium. Some could be quite critical of it and outspoken condemnations of its use were not uncommon, and it cannot be said that Europeans were unaware of the dangers. As early as 1809 a witness before the Penang Grand Jury claimed:

The effects of the use of this drug are so injurious and destructive to the human constitution that the minds of those who use it are in a short time so debased as to become incapable of any exertion, and their bodies so debilitated as to be rendered totally unfit and unable to perform or undergo any corporal labour or fatigue, so that their services and industry are not only lost to the community, but it must be inferred...that they are under the necessity of resorting to robbery, plunder and depredation to enable them to procure ... this pernicious drug.⁹

It is interesting that some of the same contradictory comments by anti-drug campaigners have changed so little. One can find the same comments in current debates about drugs, yet it is never clear how people who are so debilitated that they cannot work are able to find the strength to carry out robbery and plunder. The evidence from this period also lacks reliable scientific information on how long an individual could smoke opium before he became addicted, nor do we know how long a habit could be maintained at a given level, or how long one could use the drug before it really began to destroy his physical health or his ability to maintain an occupation.

Whatever the case, life in the Malayan jungles was, if nothing else, nasty, brutish and short. Manderson shows evidence that annual death rates varied between 50 and 250 per 1,000.¹⁰ Other reports speak of even higher death tolls. H. Warrington Smyth, an English mining engineer who worked for the Siamese government, estimated that the death rate for mining coolies in southern Siam was about 60 per cent overall and even higher for new arrivals. In the face of these conditions, coolies demanded opium and would not work without it. Arguing that mine owners feared running out of opium, Smith reported an incident in which a mine lost 70 per cent of its work force through desertion when the opium supply failed.¹¹

8 Jacques Dumarest, *Les monopoles de l'opium et du sel en Indochine* (Lyon: Faculté de Droit, Université de Lyon, 1938), pp. 32-3.

9 Quoted in Harold R. C. Wright, *East-Indian Economic Problems of the Age of Cornwallis and Raffles* (London: Luzac & Co., 1961), pp. 167-8.

10 Manderson, *Sickness and the State*, pp. 128-35.

11 H. Warrington Smyth, *Five Years in Siam from 1891-1896* (New York: Charles Scribner's Sons, 1898), vol. II, pp. 20-1.

Given the alternatives, one faces a dilemma in choosing the best alternative for these Chinese labourers. Was their situation worse than what they had left behind in China? There the labourer faced unemployment, landlessness, overcrowding, disease, warfare and banditry, as well as grinding poverty, yet he probably would have been too poor to afford opium. In Southeast Asia there was at least the possibility of a different future. If one were lucky and could overcome the burden of debt and avoid the dangers of the jungle and the temptations of opium and gambling, he might save enough to return home, buy some land and support a wife and family. If he were really fortunate, he could become a wealthy *taukeh* himself. Even if he were unsuccessful, he might have passed his short life with the comfort of opium.

Dr R. Little, writing in 1848, saw another possible future for Singapore's labourer: How different would be the condition of the people of this island if instead of spending on Opium \$417,884 yearly, they knew not the vice; that money hardly and honestly toiled for would be spent in clothes, in food and better houses, the men could afford to marry, a taste would be formed for finery, and something more would be required, than bare rice the necessary of life ... instead of 40 or 50 living under one roof, too often a mass of iniquity, a man and his family, or one or two single individuals could afford to live in a house of their own...¹²

This was an idealistic picture, and one that offered little benefit to the capitalists and to the Singapore treasury.

At the risk of seeming cynical, I would argue that the alternative future Little envisioned was not only naïve, but was also exactly the one which the large British and Chinese merchants and the colonial government did not want. There was no profit in a population that saved its money and lived frugally. Were it not for opium, it would have been impossible for the capitalist to remain in business. The products of Southeast Asia – tin, pepper, gambier and even gold – would not have been competitive on the world market. It was necessary for the cost of labour to be recaptured and recycled, as it were. This was the case for the pepper and gambier economy that characterised all of the Chinese labouring settlements of Singapore, Johor, Riau and later Negri Sembilan.¹³ The proceeds from the sale of gambier and pepper in the Singapore market could pay for little more than labour costs. The opium farm made it possible to produce the crop, pay the labour force and then regain costs by selling the coolies opium.

The secret societies of Singapore and Malaya are a case in point. Initially, they seem to have come into being as mutual support agencies and cooperative ventures to ensure the pooling of resources by labourers and capitalists. Then there were the *kongsi*. In the eighteenth and early nineteenth centuries, these mining and planting settlements were often located in isolated areas and were vulnerable to the attacks of pirates and others who wished to exploit the labourers. Self-defence forces were necessary. Both labourers and capitalists took shares in the ventures and divided the proceeds among themselves. By the mid-nineteenth century, capitalists found powerful allies in colonial governments and in European mercantile cliques. The Chinese *taukeh* were able to take control of the *kongsi* and use the secret society thugs to intimidate the labour force and protect the

12 R. E. S. Little, 'On the Habitual Use of Opium in Singapore', *Journal of the Indian Archipelago and Eastern Asia*, 1 (1848): 73-4.

13 See Trocki, *Prince of Pirates*.

revenue-farming concessions.

In Singapore, there were intimate links between certain groups of opium farmers and the Ngee Heng *Kongsi* (also known as the Ghee Hin Hui). For much of the nineteenth century, secret society conflicts in Singapore were actually wars between opium farmers. Ultimately, when a single, consolidated farm was created, the Ngee Heng ceased to play a major role in Singapore life and one small sub-group of the former society gained employment as the protectors of the farm through the influence of their patron, Tan Seng Poh. Later in the century the farmers were able to dispense with the triads altogether and rely on colonial police forces to protect their monopolies.¹⁴

The Java opium farm model

If we look at the opium farming system organised by the Chinese in Java, there are a number of important contrasts, but there are also fundamental similarities. This type of farm was found in areas with a large population of Southeast Asia peasants, where the indigenous people represented a significant proportion of the opium-consuming population. In addition to Java, such conditions also prevailed in central Siam, Cochinchina and Tonkin. Proportions of Chinese and native populations varied from place to place, as did the amounts and types of opium used. In Indochina, for instance, an individual Chinese smoked more opium than a Vietnamese. Colonial officials argued that opium smoking only affected the Chinese and was not a problem for the Vietnamese population, but since there were in fact far more Vietnamese smokers than Chinese, it is probable that more money was made from the former than from the latter. The government argued that the average Chinese smoker consumed 1.4 kg annually, compared to only 200 gr. for his Vietnamese counterpart. Moreover, nearly 40 per cent of the Chinese population used opium, compared to only 2 per cent of the Vietnamese.¹⁵ These statistics need to be understood in light of the circumstances. The Chinese population was overwhelmingly young, male and gainfully employed. They were, moreover, far outnumbered by the Vietnamese, who showed a much more balanced age and sex distribution and seldom participated in the cash economy.

One common feature that these farms shared with those other areas was that the farmers were almost always Chinese. Javanese had been smoking opium since the seventeenth century. It is not clear when Chinese took over the business of collecting the tax through a farming system, but one assumes it was quite early. Certainly by the early eighteenth century the basic elements of the system were probably in place. By the nineteenth century, the economies of the business were much more closely regulated and tightly organised. Every regency had its own opium farm and the business was highly competitive. One account described the opium farm auction as the 'battle of kings' where the wealthiest, most powerful Chinese in Java gathered to outdo one another in their fight for the concession.¹⁶

These farms were distinguished from the Malayan type in two other important respects. First of all, the fact that many of the consumers were indigenous peoples meant that governments had to be a little more circumspect about the opium trade and the farming system. Particularly towards the end of the nineteenth century, when colonial

14 Trocki, *Opium and Empire*.

15 Descours-Gatin, *Quand l'opium*, pp. 103–4.

16 Rush, *Opium to Java*, p. 41.

governments felt the need to justify their existence by claiming that they were working for the welfare of the natives, it was difficult to explain the opium farms to the metropolitan public. In Malaya, Burma and the Philippines the farms could be justified on the ground that they merely served the 'sojourning' Chinese. It was claimed that if they did not get their opium, then they would not remain and the work would not be done. This situation often placed colonial governments in French Indochina or the Netherlands East Indies at a rhetorical disadvantage *vis-à-vis* moralists and 'liberal' economic interests in the metropole. They, too, tried to claim that opium-smoking was primarily a Chinese vice. In Cochinchina, the French claimed that only the very rich or the very poor smoked opium: those who had long hours of nothing to do, '*les personnes oisives ou l'oisiveté*' [the idle rich or the unemployed].¹⁷ Their arguments seem rather weak when one considers that as late as 1890, there were only about 56,000 Chinese in Cochinchina, yet the French were able to sell the opium farm for \$2 million annually. One wonders who they thought was using the opium! (This was at a time when the Singapore farms were going for \$200,000 a year and the 'user' population was probably less than 100,000).

Ultimately, colonial governments – first in French Indochina and then in the Netherlands Indies – found it advantageous to join the chorus of voices raised against the farming system. The farms were condemned, and with them the Chinese 'exploiters' of the 'people'. The Dutch 'Ethical System' and the French *mission civilisatrice* provided rhetorical atmospheres in which the farms and the unscrupulous Chinese could be criticised. By the 1890s, the farms were eliminated in both colonies and were replaced by the '*regie*', the government-controlled opium monopoly. This measure had the dual advantage of eliminating the Chinese middleman and of greatly increasing government revenues from opium sales.

The situation in Siam had a number of important differences. In 1851, after several decades of unsuccessful attempts to ban opium in the kingdom, a farming system was finally permitted and opium sales were legalised. This took place on the eve of the Bowring Treaty which opened the kingdom to European commerce:

[I]n 1851... Rama IV set up an opium farm for the exclusive benefit of the Chinese. This came about after certain Chinese petitioned the king to appoint them farmers to manage opium strictly among Chinese in Bangkok and provincial towns, for which they would pay an annual fee of 10,000 taels Siamese (£5,000). In addition to the right to import opium for local consumption, the farmers could also export it to China.¹⁸

The Siamese government could also argue that opium was really only a Chinese vice and one that did not affect a significant portion of the indigenous population. Since the Chinese were immigrants, their behaviour really did not reflect adversely on government policy. Chinese, it was claimed, were inveterate opium smokers and it was not the job of the state (colonial or otherwise) to change their character. It therefore only made sense to tax opium so as to prevent 'excessive indulgence'.

A second difference from Malaya was that in Siam, Java and Cochinchina, links between the revenue farming system and the local economy were more diffuse. Farmers

17 Descours-Gatin, *Quand l'opium*, pp. 213–4.

18 Sarasin Viraphol, *Tribute and Profit: Sino-Siamese Trade 1652-1853* (Cambridge, MA: Harvard University Press, 1977), p. 234.

were generally rich men who held opium farms as one of a number of enterprises.¹⁹ These usually included land, shipping, rice trading or plantations, but it is not clear that Chinese capital was always a major factor in local production systems as it was in Malaya. At the very least, Chinese investment was not usually responsible for the initiation of these enterprises, as was the case in Malaya. Generally, it seems that the typical Javanese peasant was involved in subsistence rice production as well as some form of forced cultivation of commercial produce such as sugar, coffee, pepper or spices. Over the course of time, however, the rice economy was monetised.

Much of the Chinese activity in rural Java was designed to bring peasant rice into the Chinese dominated marketplace. The introduction of landrent stimulated the internal produce trade, and as the Chinese penetrated Java's interior from the north coast during the nineteenth century, Chinese rice gathering activities broadened. Peranakan entrepreneurs sought to monopolize the buying up of peasant rice region by region, a process which was intimately tied to possession of the Opium and other government Farms. It was no accident that the internal rice trade, the semi-monetization of the rural economy, and the full scale development of the Opium Farm system occurred simultaneously. Opium farms, as the strongest and most pervasive arm of the Peranakan patronage constellations, were the primary banks and credit institutions of rural trade. At the bottom of the Peranakan patronage hierarchies stood the rural Chinese trader – perhaps an employee of the Opium farm...[who] entered into commercial relations with village headmen and individual villagers...²⁰

These traders made loans and advances on crops and advanced goods as well as opium against crops.

Here it may be concluded that the primary purpose of the opium farm was to bring the Javanese into the cash economy and to make him a consumer of commercial products. The farm also gave the Chinese trader a hold on the local economy. In time, this control came to be seen as a threat to the state and associated European economic interests. In the meantime, the role of Chinese as farmers and as opium users became a part of the European discourse on their colonies. Opium had to be sold because the Chinese must have it, but the state, seeking to promote native welfare, sought to keep the poisonous drug out of native hands.

This discourse was duplicated in some way in almost all colonies, and it led, oddly enough, to an elimination of the farms and the creation of government monopolies. In Indochina, the 'native welfare argument' was an important part of the government's campaign to take over the farms and organise a government monopoly. Use of opium by the Vietnamese population was portrayed as a result of the 'greed' of the Chinese opium farmers.

In a real sense, this political debate over the creation of the opium regime illustrated a much deeper structural reality. Vietnamese representatives on the Colonial Council claimed that the local Chinese merchants abused, mistreated and exploited the Vietnamese population. They sought the assistance of the French colonial

19 Rush, *Opium to Java*, p. 43.

20 *Ibid.*, pp. 113–14.

administration to break the Chinese monopoly over trade in CochinChina. For their part, the colonial administration used this ethnic antagonism to divide and rule.²¹

It should come as no surprise, then, that the farms in the French and Dutch territories were taken over and turned into government monopolies far sooner than those in British Malaya, where opium use by the native Malay population was not an issue.

Another aspect of the farms in places like Java and Siam caused further concern for colonial rulers. Successful management of Javanese, and by extension Siamese, farms demanded a much closer series of patronage links with the indigenous and colonial officials at all levels of the enterprise than appear to have been necessary in the Malayan farms. Whereas in Malaya the farms were linked to specific mining or planting settlements, usually all Chinese and separate from the local villages, here the farms were organised around the local indigenous governmental structure, the regency or province. Such arrangements meant that the farmer needed to cement his ties with the local Javanese *priyayi* or Thai *chao muang* in order to successfully maintain his enterprise. Thus we see the development of a wide range of patronage arrangements between local officials and Chinese opium farmers.

Another feature of these farms was the reliance on a corps of Southeast Asian natives to police the farms. In Malaya, farmers could rely on Chinese secret societies, but in Java and Siam these were less useful. Chinese farmers in Java came to control gangs of Javanese operatives. James Rush's study of the Javanese opium farms indicates that the *mata-mata* or revenue farm police were just the lowest level of a complex hierarchy – both Javanese and Chinese – that made up the structure of the farming system.²² The fact that opium farmers were becoming men of power within the indigenous societies was thus seen as a threat to the governing order and became one more reason why many colonial administrators were happy to see the farms eliminated.

Each of the first two systems had specific advantages and disadvantages so far as the economic and political fortunes of the farmers were concerned. The Malayan farms had most of the economic advantages. They were closely linked to specific commodity production systems and were assured of a group of reasonably well-paid consumers so long as the market for the commodity remained firm and so long as they had access to areas in which it might be produced. Chinese coolies earned more and consumed more and thus these farms seem to have been the more lucrative of the two types. On the other hand, the vagaries of the world market and the volatility of the population caused continual problems. If the system stopped expanding, as happened with the pepper and gambier agriculture in the early 1880s, then it ceased to be the kind of cash cow that Chinese capitalists had come to demand and it lost much of its attractiveness. Moreover, this leveling off opened the way for competitors with greater cash reserves to come in and buy the farms out from under the Singapore syndicate. In this case, the interlopers were the Penang tin lords like the Khoos, the Kohs and ultimately the Khaws, who were able to take over the Singapore syndicates. The ultimate weakness was a political one. The lack of an indigenous patronage network left the pepper and gambier *taukeh* of Singapore vulnerable when they lost favour with the colonial government.

21 Nankoe *et al.*, 'Origins of the Opium Trade', pp. 190–1.

22 Rush, *Opium to Java*, pp. 56–8.

The Javanese farms had two major disadvantages. First, they drew their profits from a far less affluent and far more dispersed population. Second, the sales of opium were tied to the seasonal vagaries of the peasant economy. During the times of the year when there was no labour for peasants, sales fell.²³ These conditions meant the farms were simply not as lucrative; nevertheless, it was necessary to maintain an extensive network of shops and *mata-mata*, even though there were times when farm profits could not support them. Thus, the integrity of the farm was far more difficult to maintain; because of its dispersed nature it was vulnerable to smuggling and betrayal by unpaid employees.

The urban farms

Farms in all parts of Southeast Asia got progressively larger and more valuable with the passage of time. It seems possible to conclude that there was a direct ratio between the modernisation of the economy and the increase in opium smoking. Not only did revenues grow, but so too did the number of users and the amount of opium consumed. Again, it is difficult to draw conclusions about cause and effect. On the one hand, we might conclude that as people got more money, they tended to spend it on opium. On the other hand, perhaps the need to satisfy a habit gave people an incentive to work for cash income. Wherever there was cash, there was opium to soak it up, and people who used opium needed cash to pay for it.

Farms that included large urban areas grew the fastest and ultimately these became the most important. As this happened, new threats to the farming system began to appear. The connection between the farming system and one particular productive industry tended to become less and less important. The 'islands' of commodity production that had once characterised the Southeast Asian economic landscape (i.e. gambier and pepper plantations, tin and gold mines, etc.) now became less prominent as urban economies expanded into foci of more permanent population clusters. In the middle of the nineteenth century, it is probable that a majority of Singapore's opium users, for instance, actually resided in the rural parts of the island and made their living as pepper and gambier planters. By the 1880s, however, many of the planters had moved on to Johor and Riau and the urban area had grown in both physical size and influence. The Singapore farm thus became a truly urban farm, serving a variegated population representing the entire range of city-based occupations, including coolies, craftsmen, dock labourers and rickshaw pullers. This level of variety meant that a link to the gambier industry was much less necessary for success in revenue farming ventures. Similar trends occurred in other large Southeast Asian cities such as Batavia, Penang, Saigon, Bangkok and possibly Manila.

In addition to their sheer size, the farms now required large amounts of capital to finance them. Often, these sums could not be raised from within a single urban centre, and if they could, there would be rarely more than one group of capitalists capable of doing so. It was not only possible, but also necessary for the colonial government to seek bidders from outside a given colony. Anyone would do, so long as they had the money and the will. Coupled with this was the fact that the colonial police forces had enhanced their ability to control the population. This meant that the economic and 'political' institutions through which the opium farmers had dominated their populations, along

23 Ibid., pp. 27–9.

with the farms, were no longer necessities. If one had money, it was enough of a qualification to run the syndicate. This meant that colonial governments had alternatives to the tin-mining *taukeh*, the pepper and gambier merchants, or the moneylenders who held the peasants in thrall. With the local police forces and the relatively compact areas of the urban farms, the state itself could provide security for the farm monopoly. All of these factors tended to enhance the power of the government *vis-à-vis* the farmers, and the partnership between revenue farmers and colonial states began to be seen as less and less necessary.²⁴

The economics of the farms

For a Chinese to be a successful farmer, he needed several kinds of resources. In addition to processing the drug, for which some sort of building, equipment and trained personnel were necessary, the farmer also required either ownership or control of a network of retail outlets. These were opium shops where small quantities (anywhere from a 'pot' of one or two *tahil* to 'tubes' of several 'hoon') of *chandur*²⁵ were sold on a take-away basis, or else divans or opium dens where the drug was smoked on the premises. Beyond these facilities, it was also necessary for the farmer to control a fairly large body of private security personnel. Part of the contract involved the farmer's responsibility for the integrity of his monopoly. Even though the state passed laws to protect the revenue farming system, it was the farmer's business to police it. He thus controlled a private police force as well as a network of informers. In Singapore, the police were called '*chinteng*' or revenue peons, and in the 1880s a force of about eighty men were employed in this function. The major job of these police and informers was to prevent the smuggling of contraband opium into the farmer's territory.

All of these facilities were all part of the farmer's overhead. In addition, he had to purchase his stocks of raw opium on the open market and, of course, pay the government its monthly rent. What remained was his profit, which he divided amongst the shareholders. It is clear that the profits could be immense, and normally the opium farmers were the wealthiest and most powerful Chinese in all of Southeast Asia. The evidence for this is quite compelling. Whether one looks at compendiums such as Song Ong Siang's *One Hundred Years of Chinese History in Singapore*, or more recent studies on Chinese economic leadership in colonial Southeast Asia, it is clear that opium farmers ranked among the wealthiest, most powerful and most respected Chinese in Siam and the European colonies of Southeast Asia.²⁶ Finally and most importantly, it was necessary to already have wealth, power and respect in order to become an opium farmer, and thus it was a profession which attracted those who already had gained money and influence. It also helped them to keep it.

By the late nineteenth century, many of the farms for densely populated territories

24 Trocki, *Opium and Empire*.

25 *Chandu* is the Malay term for opium which has been processed for smoking; the *tahil* (also *liang* or *tael*) is equal to 1.3 oz or 37.6 gr and is divided into 100 *hoon*.

26 In addition to the various essays in Butcher and Dick ed., *Rise and Fall*, and other sources already cited, see Song Ong Siang, *One Hundred Years' History of the Chinese in Singapore*, reprint edition (Singapore: University of Malaya Press, 1967); Michael Godley, *Mandarin Capitalists from Nanyang: Overseas Chinese Enterprise in the Modernization of China, 1893-1911* (Cambridge: Cambridge University Press, 1981); and Jennifer W. Cushman, *Family and State: The Formation of a Sino-Thai Tin-mining Dynasty, 1797-1932* (Singapore: Oxford University Press, 1991).

(such as Singapore, Hong Kong, Saigon and even Shanghai) demanded such large investments that money was drawn from all over the region, and in some cases wealthy Chinese resident in one colony would buy up or invest in the farms of another colony. As early as 1880, the Singapore farms had fallen under the control of a group of Penang merchants. At the same time, a one-time farmer from Singapore had interests in the Hong Kong opium farm, while another was involved in the Saigon farm. Even early in the nineteenth century, merchants in Penang and Singapore frequently held farms or interests in farms in the Dutch territories of Riau and Sumatra. Later they also held interests in Javanese farms. In 1886, Lee Keng Yam, a Melaka Chinese, headed a syndicate which held both the Singapore and Hong Kong farms, as well as 'some Dutch farms'.²⁷

There are a number of important points here. The first is simply that the opium farms were large, complex enterprises that involved enormous amounts of capital. As a type of economic organisation, they were found throughout Southeast Asia and the southern Chinese littoral. In fact, when we step back and look at the picture in its entirety, we see that by the late nineteenth century the opium farming syndicates constituted a large, segmented network of interconnected *kongsi* stretching from Burma to Shanghai and extending as far south as Australia. In most cases, the wealthiest local Chinese clique exercised a level of control or at least participated in the farms in their area, but almost all of them depended on outside connections that usually reached beyond the borders of their particular territory. The farms thus constituted a more or less separate economic system that was dominated exclusively by Chinese. It was, moreover, a network that integrated the opium economies of Southeast Asia and connected them with those of southern China.

Over the course of the period between the 1870s and 1910, these *kongsi* tended to get larger, more valuable and more international. One aspect of this growth was the tendency of the farms to consolidate when left to themselves. Thus after 1870 the Singapore opium farm gradually coalesced with the farms of neighbouring Johor, Riau and Melaka; a similar process took place in the tin areas and in southern Siam. As a result, larger and larger *kongsi* or syndicates were formed to finance the opium farms and investment was drawn from further and further afield.

This tendency towards consolidation was not always looked upon with favour by local governments, particularly the European colonial regimes. British and Dutch colonial officials viewed Chinese as devious and cunning and saw the workings of the revenue farms as mysterious and completely opaque. Clearly, the Chinese preferred this aura of mystery, since a measure of their usefulness to the European regimes depended upon the failure of these governments to understand their methods. The colonial regimes, however, came to look upon this dependence as a sign of weakness and vulnerability. They felt it necessary to be able to manipulate the farmers, at least to ensure that the government got the best possible price for the farms, which depended upon maintaining a level of competition among the farmers. If the government felt that the farmers were cheating or were not being required to pay what the farm was worth, officials were often known to invite other investors, even from outside the settlement, and to encourage them to bid against the incumbent farmer. In some cases, a government would not always take the highest bid if officials felt the farmer had become too

27 Trocki, *Opium and Empire*, pp. 194–5.

powerful, or if they suspected a plot of some sort.

Farmers likewise developed their own set of strategies to deal with competition. Sometimes, the various competitors for a particular farm would collude to offer a low price and then combine their interests in a joint syndicate once the contract was secured. Other times, a losing syndicate would attempt to smuggle processed opium into the territory of a farmer who had outbid them. One perennial device was to buy the farm for the neighbouring territory and smuggle across the border; another was to bribe the local officials to look the other way. In the case of Malayan revenue farms, if the losing farmer happened to be a major investor in a tin mining region, he might withdraw his capital. The coolies who were dependent on his advances would then be required to go elsewhere and the winning farmer would lose his population of consumers. Thus there was always a game of cat-and-mouse between the governments and the opium farmers on the one hand, and on the other, a partnership. The farmers got wealthy under the auspices of the governments, while the latter earned revenue at no cost to themselves and, in the long run, gained access to resources that allowed them to replace the farmers.

Finally, and perhaps most significant for capitalist development, farms became a source of capital for other ventures. With their large and usually reliable cash flows and their relatively low needs for long-term capital investment, the farms were ready sources of cash. In the absence of a banking system in which Chinese felt confidence, the farms often doubled as banks, serving as a vehicle for savings and therefore for capital formation. There are reports that farmers in fact often made loans or paid other debts using farm funds. Moreover, when opportunities for economic expansion presented themselves, Chinese were usually ready to invest, and again the farms often provided the capital. It was no accident that when Chinese began to create their own banks in Southeast Asia, it was frequently former opium farmers who were among the first to try.

Chinese capital and the demise of the opium farms

After 1880, a series of crises began to shake the various revenue farming systems. In the case of Java competition became increasingly cutthroat and smuggling rose to unacceptable levels. The rising tide of this activity offered the Dutch government the opportunity to increase its own police powers along with its general familiarity with the opium business. Finally, when the additional stress of an economic downturn occurred and several farms failed, the Dutch followed the French example in Cochinchina and turned the Javanese farms into a state-controlled *Regie*. In many respects this takeover was possible because a number of the farms had really become concentrated on urban bases and were thus easier to police and more difficult to finance.

Increasing attempts by the British in Malaya and by the Dutch in the Outer Islands to bring the local farmers more closely under control continued throughout the 1890s and into the twentieth century. However, so long as Chinese capital, labour and expertise were necessary to provide the products upon which European prosperity depended, the farming system remained. Part of the 'problem', so far as British official and economic interests were concerned, was the continuing need for Chinese labour. British capitalists were regularly frustrated in their attempts to move beyond the tertiary level of involvement in Southeast Asian economic activity. They could not engage in mining and planting enterprises because they could not control Chinese labour, tied as it was to

Chinese capitalists through the farming system.

Two new innovations in Malayan economic life changed this system. It was only when rubber became available as a plantation crop (in place of pepper, gambier, sugar, tapioca, etc.) that British officials found a crop which was compatible with some sort of quitrent system whereby the government could actually treat land as a commodity. British planters found that they could import their own labour force from India and thus do without the Chinese. The second innovation was the increasing availability of and necessity for steam dredging equipment in tin mining. As Wong Lin Ken has shown, by the 1890s the growing scarcity of easily worked tin deposits necessitated techniques that were beyond the technology available to Chinese labourers.²⁸ Chinese capitalists could, and did, continue to compete with British and other colonial economic interests, but they found themselves increasingly at a disadvantage as the administrative and technological revolutions progressed.

One group of Chinese, however, persisted and sought to retool and reform the 'old ways' while acquiring as much of the new technology as possible. In their case, we see an attempt to use opium profits to finance the move into more universal forms of capitalist endeavour. The Khaw family of Penang, also known by the name 'na Ranong' in southern Siam, almost succeeded in remaking themselves in the early part of the twentieth century. Jennifer Cushman's study of the rise and decline of this Chinese tin mining dynasty shows what might be considered the last stand of the opium farmers. This family in many ways combined the most useful aspects of both systems. They were located in a border area, where they were able to combine a lucrative group of tin mining concessions in Malaya and Siam with an extremely intricate network of patronage links with Siamese officialdom at the local level and in Bangkok. They also developed an extensive network of marriage alliances among the Thai elite as well as other prominent Straits Chinese families of Penang and the surrounding areas. The fact that they lived both within a British colony and at the same time under the protection of the Siamese crown gave the Khaws a sort of leverage possessed by few other groups of Chinese.²⁹

Cushman has shown how the family financial empire rose to challenge British colonial interests and the imperial corporate affiliates under the management of Khaw Sim Bee. Between about 1890 and the beginning of the First World War, Khaw and his clan built upon the base of their tin mining enterprises in the West Coast Malay states and southern Siam. By the beginning of the twentieth century, they controlled a vast interlocking conglomerate which included engineering companies, smelters, shipping lines, banks, insurance companies and a host of other related enterprises in addition to the tin mines and revenue farms that they had originally possessed. Their aim, it seems, was an effort to establish a degree of financial and technological independence that would liberate them from the influence of European capital and free them from the unfavourable pricing systems of British-owned smelters and shipping companies. Cushman establishes a fairly clear case of opposition between the Khaws and the forces of British capital and colonial government, particularly the Straits Steamship Company. Indeed, the Khaw empire seems to have fallen at least partly as a result of legal

28 Wong Lin Ken, *The Malayan Tin Industry to 1914: With Special Reference to the States of Perak, Selangor, Negri Sembilan and Pahang* (Tucson, AZ: University of Arizona Press, AAS Monograph, 1965), pp. 169–71.

29 See Cushman, *Family and State*, and *idem.*, 'The Khaw Concern', in Butcher and Dick ed., *Rise and Fall*, pp. 267–71.

manoeuvres by the British which cut the legal and financial ground out from under it.

What is interesting about this financial conglomerate is not its similarity to Western corporate forms of enterprise; rather, it was a hybrid form which combined Western styles of business enterprise with traditional Malayan Chinese family-business practices. Khaw Soo Cheang, and later Khaw Sim Bee and two or three key members of the family, coordinated general corporate-family strategy while each firm or concern was headed by various relatives of members of the kin group, including those who had been brought in by marriage. A second element in the Khaw business constellation was their willingness to accept official positions within the administrative structure of Southeast Asian governments. Khaw Sim Bee, while recognised as an important Penang *taukeh*, was also the governor of Ranong Province for the king of Siam. Finally, the family business was likewise buttressed by an enormous opium farming *kongsi*. This group of investors capitalised the tax concessions of colonial and other Southeast Asian governments and thus created considerable pools of working capital which provided much of the fuel for the expanding economies of the period. Unfortunately, the network of opium farms – which included virtually all of Malaya, the Straits Settlements, Siam and parts of Sumatra – collapsed in a spectacular debacle in 1907. This effectively destroyed the Khaw empire, but it also shows how opium farming could have acted as a bridge to other forms of capitalism.

The major result of the bankruptcy of the Khaw farming syndicates was the takeover of all of their opium farms by the Siamese and British colonial governments. From this point onward, opium was sold through government monopolies. This was a major setback for the development of Chinese capital, signalling an end to its long-standing partnership with colonial governments. For the next half-century, Chinese capitalists had to be content with the leavings of European corporations and were subject to the restrictions on their roles as ‘foreign Asians’.

Despite this setback, it is clear that the opium farms played a major role in the establishment of Chinese capitalism in the region. The farms appear to represent a sort of transitional phase between ‘traditional’ or pre-market Asian mercantile practices and the more fully modern corporate systems of the twentieth century. The significance of these institutions has gotten relatively little attention from economic historians, and certainly none at all from modern economists in their considerations of Asian economies. Indeed, I believe that we are only beginning to understand the nature of these structures, and so it may be necessary to reconsider much of what we think we know about the period. We might also ask ourselves what elements of these economic structures actually survive in present-day or at least subsequent institutional structures.