This paper seeks to examine the misunderstanding between China and India created by the Opium War. The actual war was fought between China and the British over the issue of opium trade in 1842. Since then Indians were identified in China as “Soldiers of the British Indian Army who came to China to loot and kill”. They saw Indians in China as ‘zou gou’ (running dogs) of the British. Whenever an India-China conflict surfaced, the Chinese propaganda was heard with the ‘zou gou’ slogan, leading to ill feelings about Indians. My main purpose is to examine the truth behind this episode. The paper will trace the Chinese and British early trade structures, business interests, and mutual relationship. Secondly, I intend to evaluate how the British used Bombay businessmen in the opium trade and undertook other related activities. Finally, the paper will trace how the Chinese misunderstood Indians. Thus the paper has four main sections: 1. Advent of the Opium War, 2. The Chinese position, 3. British India’s position (legal involvement) 4. Private business interest (Chinese, Indian and British).

**China Before the Opium War**

China was ruled by the Chiang Dynasty. Its political decline, military impotence, and financial insolvency had reached extreme levels. Social wealth was concentrated in the hands of the exploiting nobles, officials, landlords and rich merchants. Serious peasant and handicraftsmen suffered exploitation through continually rising taxes, land rent, and usurious interest. The case of Ho-Shen is well known for the corruption and degeneration at the court of Manchu Emperor Chien-Lung. Corruption spread among civil as well as military personnel. The Bannermen developed licentious habits and became totally useless as military force. Military defence of the frontiers was neglected, and a general decline of the dynasty began. Economically the massive spending and the general trend toward luxury led to financial difficulties. The Manchu were opposed by the Ming loyalists through the secret societies: The Heaven and Earth Society, (T’ien-ti hui), The Ko-Lao Brotherhood Association ( Ko-lao-Hui) and The White Lotus Sect ( Pai-Lien Chiao). These secret societies lasted long
and swept across several provinces at the turn of the 18th-19th centuries. Economically China was an agrarian country, soil and human labor constituting the economic foundation of the state. The bulk of the revenue came from the land and poll taxes, supplemented by incomes from the salt tax, tea tax, the native customs houses, blue commercial license tax etc.4

The Chinese Trade Structure

The Chinese sense of superiority was the main hurdle in foreign trade. To Ching Chinese, all foreigners were barbarians and were expected to pay tribute as sign of submission and to perform the Kowtow5 in the presence of the Emperor. The attitude towards foreign trade was an outgrowth of their mentality of tribute. The Ching Emperor considered trade as a mark of favor to foreigners and as a means of rationing their gratitude. Hence trade for foreigners was not right to be insisted upon, but a privilege that could be withdrawn by China for any misbehavior. Thus trade in China became monopolistic structure.

Monopoly of the Hong6 Merchants and Formation of Guilds

Trade was managed by the Emperor's official known as Hoppo, who were called salt officials. Sources indicate that, Hoppo, secured this position by paying donations off 42000 taels7 to the prince. In the course of trade activities the Hoppo could not manage the foreign trade and were eased out by the Hong. Thus the Hong merchants secured their monopolistic privilege through paying -L-55000 as a handsome contribution to the Ching court, and created a guild.8 The original membership consisted of sixteen Hong, and new members could join by paying 1,000 taels. The guild served as a link between the Government and the foreign traders. In 1745, Hoppo selected the five private organizations that enjoyed official patronage and served as a buffer between responsible Hong merchants as security merchants for all business transactions and to secure the proper conduct of all foreigners. Three merchants formed the company mainly dealing with opium: Puankhequa formed the Tung Foo Company, Mowqua Kwonglel, and Howqua-Ewo. Along with them four other officials were assigned to deal with the foreign traders, accountants, cashiers, linguists, Schroffs (who assessed the quality of silver), and clerks. Thus the entire trade was organized as an unofficial commercial transaction, and the system did not permit any direct contact with the government officials. To deal with foreign trade and traders they built foreign factories or agencies on the bank of the Pearl River outside Canton city. These houses were commonly called “Barbarian Houses” (I-Kuan). Any letter from a foreigner to the Chinese officials had to pass through Co-
hang and had to be written in the form of a petition.

The Hong merchant and Exploitation

The Hong were subjected to merciless exploitation by the Chinese officials. They were required to pay regular annual tribute of 55,000 taels. Besides they had to collect foreign clocks to give to the governor and Hoppo, who in turn presented them to the Court. They were expected to give gifts on imperial birthdays and marriages, and contribution to military expeditions, river conservancy operations, educational institutions, public charity, and hospitals. And at times they as security merchants were fined for crimes and uncivil acts of the foreign traders. Hence for the fear of crime, foreigners at Canton were under a strict code of behaviour. They were not allowed to sit in sedan chairs, could not move in and out too frequently and they could neither buy Chinese books nor learn Chinese This prompted the British to conflict.

British trade & Economic Structure

In Britain the handicraft industries had gradually given way to machine manufacture. The increase of production created a market crisis. The East India Company took over China trade—a vast territory, rich resources, and a big population. In the beginning the British export to China was cotton velvets and teens. East India Company mainly bought tea from China. British had to pay in silver dollars which was not profitable. To change this unbalanced trade, British's found opium a highly profitable commodity which changed the entire trade structure.

English traders & Opening of Canton

The English were not allowed to trade in Canton. Besides the small demand for English woolen clothes in Canton had prevented English from trading in other ports. The Ming loyalist Koxinga who settled in Taiwan developed relations with the English traders in order to get arms against Manchu. In 1685 custom houses were opened at Canton, Chang-chou (Fukin), Ningpo, and Yun-t'ai-shan Kiang su. In the beginning the proud and self-sufficient Chinese refused to admit foreign products, but the population of Canton, who traditionally lived upon foreign trade, insisted upon them. To regularize the importance of Canton the Ching Court increased the custom duties at other ports, and an English factory was opened in Canton in 1699. By 1759, James Flient, an English trader, defied the rules at Canton and visited Nangpo and Tientsin in the north to complain of irregular exactions and corruption at Canton. The Ching Court threw him into prison in Macao for three years, dismissed the Hoppo (Chinese Cus-
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Tom Superintendent) and appointed an investigative commission to look into the affairs of Canton.\textsuperscript{11} Since then Canton was the only port open to foreigners till the Opium War in 1842.

The British Trade Structure

British trade was monopolized by the East India Company, but there were many private English ventures. The Company chartered private ships to sail from India to China under its license. This trade was known as "country trade" and the ships "country ships", as opposed to the "Company ships". Six out of every ten of the country ships originated from Bombay, and two each from Bengal and Madras. Country traders were mostly Englishmen doing business in India, plus a few Indians and Parsis. This country trade accounted for 30\% of the total British trade at Canton between 1764 and 1800. The Company allowed its officers to carry a specified amount of gold and goods to compensate for their small salaries. In reality, the Company believed that when the officers had a personal stake in the cargo they would strive more diligently to make a speedy and successful voyage.\textsuperscript{12}

British Firms

The largest firm, Jardine, Matheson & Co., was dealing with the opium trade. The major firms were Ccx and Reid Hamilton; Reid, Reid Beal & Co.; and Shank and Magniac & Co. In 1832 Jardine, Matheson & Co. entered into the opium trade. William Jardine and James Matheson, Yrissari and J. Matheson became partners. William Jardine was associated with T. Weeding London and Farmijee Cowasjee of Bombay.\textsuperscript{13}

The Chinese View of Opium

Opium was used in China as a medicine to ease pain and reduce tension. It was widely used in 1660 in Fukien and Kwangtung where the method of smoking was refined. The smoker burned the opium over a lamp and inhaled its fumes through a pipe. Patna, Malwa and Turkish opium was exported to China. A chest of Malwa opium in 1835 was sold in China for $602. Opium dealers often maintained relations with the underworld.\textsuperscript{14} The East India Co. established a monopoly over opium cultivation, sale, and auction, and sold it in China through "country ships" under the company's license.\textsuperscript{15} Young Chinese and rich families became addicts of opium. Later Government officials, merchants, literati, women, servants, soldiers, monks, nuns, and priests adopted opium smoking. The side effect of this drug included restlessness, chills, hot flashes, nausea, muscle twitch, and
bone aches. The hungry could not eat, and the drowsy could not sleep. In 1838 there were some 30 million Chinese addicted to this drug. The Ching Government issued restrictive orders in 1716, 1800, and 1813, and finally 1815, but neither Chinese nor Foreigners took it seriously. In fact, J.E Wot Bingham charged that “Chinese were in the habit of receiving a bribe five to ten donors per chest. He mentioned that “They would request the captain to keep back for them from the Chinese smugglers... once a month they would visit the ships for payment according to the number of chests smuggled”.

Chinese Differences on Opium Ban

In the court of the Emperor there were two groups: one believed that opium dealers as well as addicts should be dealt with severely. Others believed that a tax on opium would relieve the treasury’s problems. In June 1836, Hsu Nai-Chi, a minister in charge of the Court of Sacrificial Worship, suggested to the Emperor Tao Kung that the ban on opium should be lifted and a tariff duty be charged, and free importation by foreign merchants should be officially permitted; purchase by barter should also be allowed. Trading opium for silver however, should be forbidden. The minister stated that government officials and soldiers be restricted, while ordinary people might do as they pleased. In justification the minister explained that “opium smoking certainly shortened people’s lives but the Chinese population was growing; so there was no need to worry that it might start to fall. He also advised a permissive policy on the cultivation of the poppy allowing anyone who wished to grow it to do so in the belief that when enough people did, importing the drug would no longer be profitable and the foreigners would abandon the trade on their own." Another minister, Huang Chuch-tzu, said that the opium ban had been ineffective because of sabotage by government officials, who had a vested interest in the opium trade. He expressed the fear of diminishing state revenues. This statement of the minister was circulated among the viceroys and governors, among them Lin Tse hsu, vicerey from Hupeh and Hunan, who said that opium was extremely harmful and must be relentlessly suppressed, otherwise there will be no soldiers capable of resisting its borders, and insufficient silver to finance its armed forces. Another group, Mu-chang- a Ching nobleman and Chief grand Secretary) and Chi-shan, Viceroy, opposed Lin’s policy. According to foreign language publications from Shanghai, they acted as agents of the foreign opium traders.
The Opium War

Lin arrived at Canton on March 10, 1839. By May 12, 1,600 violators of the prohibitory laws had been arrested, and 42,741 pipes and 28,845 catties of opium confiscated. By March 18, he ordered all foreigners to surrender their opium in three days and sign a bond pledging not to engage in the illicit traffic of opium in the future. Violation of the bond would result in death penalty and confiscation of the drug. In turn, he offered five catties of tea as reward for each chest of opium surrendered. When the foreigners ignored his deadline he threatened two Hong security merchants. By then 1,036 chests of opium were surrendered. Howqua and elder Mawqua were made to wear chains. Dent, the British trader, was summoned to surrender, but he refused to do so. By 13 March Captain Elliot joined the traders. On March 24, Lin ordered the stoppage of the trade. 350 foreigners were confined to the factory. Finally on 27 March, Elliot issued a notice in the name of the British Government ordering all British traders to surrender their opium to him. On 18 May, 18 21,306 chests of opium were delivered to Lin. Before deliverance, Elliot proclaimed that “I ... do now in the most full and unreserved manner, hold myself responsible for and on behalf of her Britannic Majesty’s Government to all and each of her Majesty’s subjects surrendering the said British owned opium into my hands to be delivered over to the Chinese Government.” After the surrender, Elliot urged London to start prompt and vigorous proceeding against China. Nearly 300 opium trading firms in London, Manchester, and Liverpool started a campaign against China for action.

The War and Final Settlement

A British expeditionary force arrived under rear Admiral George Elliot along with sixteen warships mounting 340 guns, four armed steamers, twenty-seven transports, one troop ship, and 4,000 soldiers. Commissioner Lin also gathered a “Water Force”, sixty war junks and blocked the Pearl River with huge iron chains. Instead of attacking Canton, however, the British’s sailed north and directly challenged Peking’s security Emperor “Lin the blue Sky”, who appointed Chi-shan to deal with the British. On January 20, 1841, Capt. Elliot forced Chi-shan to agree to “Chung-pi Convention” which provided cession of Hong Kong and indemnity of $6 million and the reopening of Canton trade within ten days. Finally the treaty of Nanking was signed on August 29, 1842. British gains were an indemnity of $21 million, abolition of the Cohotig monopoly, the opening of the five ports, and cession of Hong Kong. The Emperor painfully approved the treaty on September 15, 1842, and Queen Victoria on December 28, 1842.
Among the different communities settled in Bombay, Parsis were closest to the British. Their *inam grants* of land in and around Bombay were larger than those of any other community,25 Lowji Wadia, who served as a shipbuilder to the East India Company,26 (EIC) Merwanji Rustomji who was the cotton agent of the (EIC) in Gujarat,27 and a non-Parsi, Dhackjee Dadajee, a Maharashtrian Prabhu, worked as a commission agent to the EIC, were also active in the trade. He also worked as a broker to Rivett, Wilkinson & Co. as native agent at Baroda, and as financial broker to Forbes & Co. & Leckie & Co.28 Jagannath Shankar Sett’s29 name was also related to Bombay’s land ownership, money-lending, and banking activities related to the opium trade.

Indian Traders’ Involvement in the Opium Trade

According to the sources available in the Maharashtra State Archives, and the petition submitted to the Governor of Bombay on 11th May 1829, we find that there were forty-four prominent Indian merchants who traded with China: twenty-six Parsis, three Muslims and the Maharashtrian Hindu Dhackjee Dadajee, and the rest were Gujarati Hindus or Jain merchants from Ahmedabad.30

Financial Structure

Bombay merchants had a private financial network, guaranteed brokerage, a commission business, an overseas trade ship ownership agency, and insurance.31 During this period many of them came into contact with the British and turned towards the infamous China trade. We found a goldmine of information and their activities with the opium trade in Jamshedjee Jejeebhoy’s letterbooks preserved in the Bombay University Library. The Bombay merchants had close link with the European Co. Forbes Forbes Co., and Hormasji Bomanji Wadia, (his grand nephew); Dadabhai Pestonjee Wadia was working with Fergusson, Turner and Co. and Syers Livingstone and Co.32 Britishers in fact guided the Bombay merchants in the overseas trade. Those who were in British service used their positions in the Indian business community to profit from the overseas trade. Patrick Crawford Bruce and Harry Fawcett, senior partners of Bruce, Fawcett and Co. were Accountant-General and Mayor of the town. Alexander Adamson was the Transfer Master and assistant to the treasurer.33 Till 1806 the British nationals and servants were using their British position for trading, but afterwards they were prevented from doing so; they took the help from the Bombay business community.34
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British & Indian Traders’ Relationship

A mutual business relationship developed between the foreigners and the Indian business communities. Charles Forbes and Hormasji Bomanji Wadia, Jamshedjee Jejeebhoy, Hadow and Matheeson, Harmsjee Dorabjee to Charles Forbes and Premji Purushottam were closely related in developing foreign trade in Bombay. Greenburg gives detailed account of these opium dealers of Indian origin. According to the sources, Parsi Jamshedjee Jeejeebhoy wanted Jardine to place $1,00,000 as interest with Hong merchants. He visited China four times as an agent and established a close link with William Jardine, who was later associated with James Matheson. Both were foreigners and had their opium empire in Canton, while Jamshedjee was the sole agent and collaborator in Bombay. Besides this opium trade he was also involved in overseas trade selling cassia, silk and pearls. The opium trade there was the largest commerce of the time in any single commodity. In 1840, William Jardine defended himself as a leading opium merchant by citing repeated declarations of both houses of the parliament with the bench of Bishops at their back. He was of the opinion that “it was financially inexpedient to abolish the trade”.

Opium Trade and Its Implications for the Indian Economy

Though few merchants, European and Indians, developed the so-called colonial economy, the overall outcome was disastrous. Lord Clive first developed an opium monopoly in Bengal, by producing it independently under the Company’s monopoly. This increased the value of opium as well as land. Private land holders maintained thousands of people to cultivate opium. In March 1801, the Court of Directors had explicitly suggested to the Governor-General of India that the production of opium be increased to avoid the necessity of shipping millions in sterling to China, and it gave 1/7th of the total revenue to British India, as the cost increased from Rs.175 per chest to Rs.300 in 1845. Total revenue received by the Bombay government was Rs 8,870,000. However the government failed to create a complete monopoly of opium in the interior of India. Mr Mcleod was sent to Indore but local dealers objected to the European involvement. Sir Roger De Faria, a Goan resident at Bombay, was trading opium from Damman to Macao, On 29 April 1823, J J shipped 1103 chest of opium to Canton out, of which 537 chests belonged to Faria. Another merchant, Motichand Amichund, a Marwari from Ahmedabad, was exporting Malwa opium from Damman and Karachi. Jamsedjee Jejeebhoy also exported opium of Konkani Nakhuda. The Jain merchants of Ahmedabad, Hutheesing Kessressing, Vaketchund, Nagarseth
of Ahmedabad, Khooshakhund and Curumchund Premchand, Shantidas Jhaveri, all these traders had relations with Jardine Matheson and Russell and Co. Later some Marwaris, Khojas, and Baghdadi Jews entered into the opium trade; Cawasjee Pallonjee and Co., Tata and Co., and P B Petit and Co. entered in the opium trade. At the end one can say that all the countries involved in this opium trade defended their national interest well. India acted against the national interest but in favour of profit and the British.

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3. The banner system was first introduced by the first Ching, Nurhaci, in 1601. His warriors were organized into four companies of 300 men each, represented by different colors: Yellow, White, Blue, and Red. For detail see Immanuel C.Y. Hsu, *The Rise of Modern China* (3rd ed) Oxford University Press, New York 1983, pp.22, 142.


6. The Hong is a corruption of Yang-hang. Ibid. n. 3, p.142. Also see, Liang Chi-pin, Kungtung, Shih-san -hang, kao, *A Study of the Thirteen Hong of Canton*, Shanghai, 1937. Michael Greenberg, *British Trade and the Opening of China 1800-42*, Cambridge University Press, 1951, Appendix III, has given the following list of the Chinese Hong merchants who were involved in this illegal trade in China.:
8. The guild consisted of three different groups: I, Wai-Yang hang (specializing in European and American trade), ii, Peng-Kang-hang, (Specializing in Southeast Asia), iii, Ch’ao-Fu hang, (Trading with Fukin & Ch’ao-Chow), Ibid., p.142. Canton is situated at the southern tip of P.R. China.

9. Liang Chia-pin, n.6, p.368, and n.3; Hsu, p.146.


13. Greenberg, n.6, Appendix II.

14. For details see Hsu, n., pp.169-71.

15. Greenberg, n.6, pp.110.


18. FLP, n.2, p.20.

19. Ibid.

20. Lin Tse Hsu (1785-1850) was an exemplary product of old China. A holder of the Chu-jen degree, he served in various official capacities. His uprightness and incorruptibility won him the honourable nickname of "Lin the blue Sky" Lin was appointed as imperial Commissioner to deal severely with Chinese opium dealers, brokers and, consumers and yet firmly with the foreign traders. At the end he was dismissed from service and commuted to exile in Amur in May 1842 and his property was confiscated.


24. Five ports were: Canton, Amoy. Foochow, Ningpo & Shanghai.

25. Public Departmental Diary, Bombay, 1792, Vol.100, p.100., Maharashtra State Archives (From here PDDMSA), Mumbai., Also see, Memorial of Lawjee Family to the Hon’ble the Court of Director, 1841, Bombay, p.19. Also see, Warden Francis, Report on the Landed Tenures in Bombay, 1814, pp.96-7.


27. Finance Department, 1832, Vol.3, p.59, Maharashtra State Archives (From here FDMSA).

28. Memorial of Dhackjee Dadajee, (From here MDD), to Court of Directors, Political Department Letters to the Court of Directors, 1842-43, Vol.76, MSA, Also see, Memorandum of DD to Governor and Council Bombay, 31st July, 1834, Political Department, 1834-36, Vol 77, From. here (PDLCD) MSA.
30. Please see, for details, Petition of Farmjee Cawasjee and others, 11th May, 1829, Commercial Department, (CD) 1830, Vol. 50, pp. 7-28 & 121, MSA.
34. This view can be seen in an appeal made by Framjee Cawasjee to the Bombay Govt. For details please see, Commercial Department, 1830, Vol. 50, pp. 139-49, MSA.
35. For details please see, Mody, JBP, The first Parsi Baronet, Bombay, 1866, p. 32.
36. Private Letterbook of William Jardine, 30.8.1837, Quoted in Greenberg, n. 6, pp. 64-65.
38. Howqua to J.J., June 10, 1829, & JJ to Howqua, 31 March, 1931, 3 Aug, 1831, can be seen in JJL, vol. 349, p. 17, Commercial Department, 1830, vol. 50, p. 143, MSA.
40. Evidence before Select Committee of House of Commons, 1840, 1848, Greenberg, n. 6, p. 104.
41. The profit from the sail of opium also increased according to W. Jardine; per chest profit was $1,000/- for details see, William Jardine Private Letter book, 3.4.1830. Also see, Owen D.E., British Opium Policy in China and India, N. Heaven, 1928, 1934, p. 103.
42. Ibid, Owen, p. 67.
43. Select Committee of House of Lord, 1830, p. 429., Also see, Select Committee of Commons 1840, 1796-98.
44. Greenberg, n. 6, p. 221.
50. Ibid, 12 April, 1828, vol. 358., p. 60.
51. These names are available in the petitions of Opium merchants trading at Shanghai. See, Finance Department, Government of India, Separate revenue. Proceedings, September 1907, Proceedings 386, National Archives of India, New Delhi.