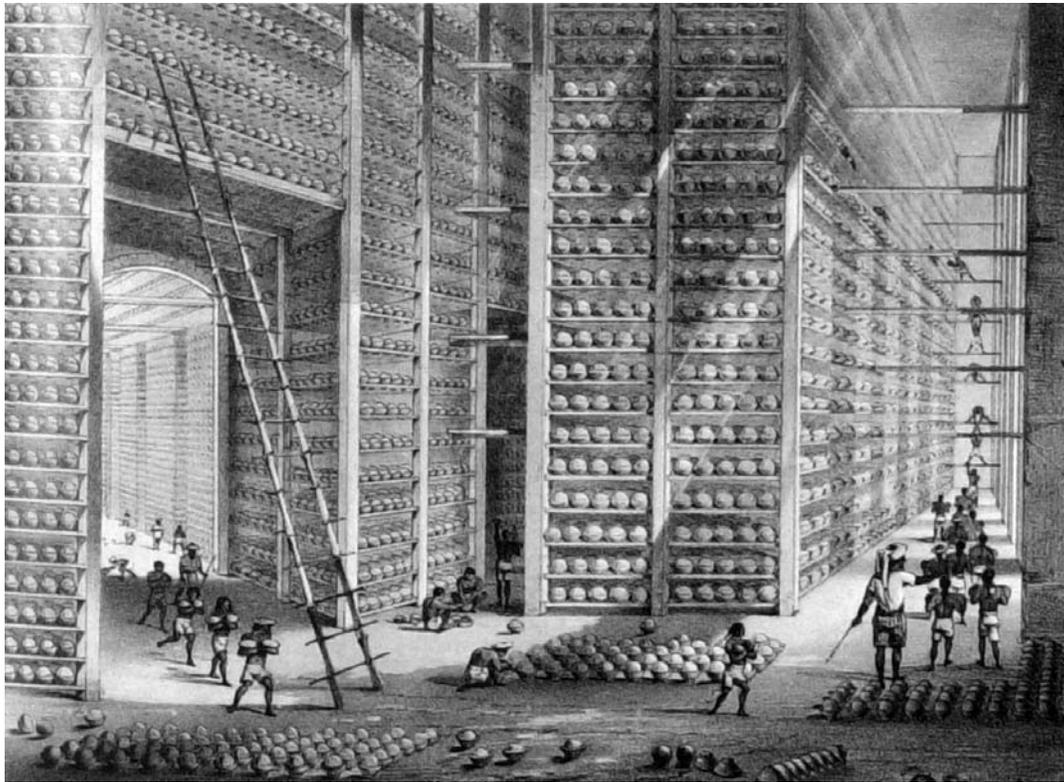


Reversals of Fortune in the Tea Industry

Part XV: Schemes and Complicity



AN OPIUM WAREHOUSE IN PATNA, INDIA DURING THE EARLY NINETEENTH CENTURY

The nineteenth century opium warehouse in Patna, India (illustrated above) reveals the massive scale of production undertaken by the British East India Company. Today, the largest legal opium manufacturing facility is in Ghazipur, a short distance from Patna.

First introduced by Arab merchants, the use and production of opium in India remained relatively modest for centuries. That changed under the British Raj, when opium production became a highly profitable industry, and a major source of income. Controversial from the onset, the story of Indian opium under the British Raj is an integral part of the history of British tea.

Please turn to page 48.

Reversals of Fortune in the Tea Industry, Part XV

The history of tea is incomplete without a discussion of the British East India Company's opium monopoly, which was established by Warren Hastings and the Governing Council on November 23, 1773.

Hastings was well aware of the addictive properties of opium. The use and abuse of opium among EIC servants in India was a growing problem. Even Robert Clive was a frequent user of opium. Jeremy Bernstein proposes that opium may have been the source of Clive's "total indifference to his own mortality" and his "state of euphoria" during warfare. It is believed, also, that it played a role in his death by suicide.

The argument for a monopoly was based on the current state of the Indian opium trade in the 1770s. It was basically a free-for-all among EIC servants for the betterment of their personal finances. There was no quality control and no price stability. Hastings believed that only a monopoly could produce a uniform product that could capture a major portion of the international market.

The final disposition of EIC opium under the Hastings system was left to those who purchased it at auction in Calcutta, after which all control was lost. The fallout from this lack of control, combined with administrative abuses within the system itself, overshadowed any positive derivatives that came from opium production on an industrialized scale. However, it is an incessant chapter in the history of the British Raj.

The use of opium predates that of tea by several centuries, if not millennia. As far back as 4000 B.C. it was documented for medicinal and ceremonial purposes. By 1600 B.C. it was known as a "cure" for hundreds of diseases, but most applications were likely prescribed for opium's sedative properties and pain relief, rather than for real curative powers. Opium is highly effective for some medical indications, such as dysentery and chronic cough. Even

today, there are few drugs more powerful for pain relief than morphine, extracted from opium poppies.

The addictive properties of opium were documented as early as the third century B.C. Colin R. Shearing (*Opium: A Journey through Time*), states that the philosopher Diagoras 'the Atheist' of Melos "declared that it was better to suffer pain than to become dependent on opium." But it was not until the twentieth century that opium became a controlled substance, legally available only through prescription.

For most of its history, opium was widely available and misused. According to Shearing, ancient Egyptian documents prescribed "opium as a remedy to calm restless children from colic, a practice which was to continue until the first half of the twentieth century." This only scratches the surface. Opium was a key ingredient in many "patent" medicines that were sold as a cure for everything from cancer to bed-wetting. Available to all who could afford them, these "medicines" were often given to infants.



Promotional trading cards, such as this one from Ayer's Cherry Pectoral, frequently featured smiling children who appear to be well sedated after a dose of their patent medicine. As depicted here, one child apparently wants more, as the other is dozing off.

The dark side of opium became much more devastating when the habit of smoking it became prevalent. According to Martin Booth (*Opium: A History*), Dutch traders introduced to Asia the fad of smoking tobacco, laced with “a pinch of opium and arsenic to give it a kick”. It was erroneously thought to prevent malaria, but the habitual use among those addicted soon overshadowed any potential medical benefits. Eventually, pure opium was smoked, and pipes specifically designed for this replaced tobacco pipes.

According to Booth:

It was less than a decade before this tobacco-based smoking cocktail reached the coastal ports of China, carried via Formosa by the Dutch. In China, tobacco smoking had become so popular the Emperor Tsung Cheng prohibited it.

As a result, says Booth, many Chinese turned to smoking pure opium, greatly increasing its addictive and destructive properties.

Barbara Hodgson presents a similar account of the origin of opium-laced tobacco smoking, but leaves out the arsenic, while including Spanish sailors among the propagators. In reality, it was likely the habit of many European sailors and traders in the Indian Ocean at the time.

The earliest use of opium in China dates back at least to the T'ang Dynasty, when it was introduced by Arab traders. Habitual use seems to have been a minor problem until the latter part of the seventeenth century, by which time opium smoking had moved inland, and Indian opium, first introduced by the Portuguese, became popular. According to Hodgson, “by 1729 the vice had spread enough to disturb the Chinese Emperor Yung Ching, who prohibited both opium-smoking houses and the sale of opium.”

Portugal established a “notable” opium trade between Malwa (west-central northern India) and China through Macao. By the early years of the British Raj, China was already a growing market for opium. Warren

Hastings was not the first to recognize opium as a potential source of revenue. Much of the success of Great Britain and the EIC was achieved by recognizing the successes and avoiding the failures of the Portuguese, Dutch, and French who preceded them. By applying their organizational and industrial skills to the production of opium, they seized most of the market.

The first shipment of EIC opium consisted of 3,450 chests in two ships. One was pirated by French privateers, and the contents of the other were sold at a loss. This failed initial effort prompted some reflection on how to optimize profits while minimizing risks.

Early on, EIC detractors and several MPs (Members of Parliament) insisted involvement in the opium trade was misguided, especially if it involved selling contraband to China. In response, a scheme was devised by which EIC opium would be sold at auction in Calcutta to private traders. The EIC neither dictated nor documented the final disposition of their opium, except for one restriction; it could not be sold within the British Empire. Thus, unnecessary risks were avoided, and direct shipments to China by the EIC were, in a strict sense, eliminated.

By this time, problems in America were distracting Parliament from concerns over the opium trade in India. After the surrender of Charles Cornwallis to George Washington at Yorktown in 1781, it was clear that the Revolutionary War had turned against the British. Subsequent skirmishes were of little consequence, and most Brits considered fighting against American independence futile. When Lord North resigned as Prime Minister, King George III found little support for continuing the war in America. Furthermore, at the end of the eighteenth century, the wealth of India and the teas of China were more alluring to Parliament, as well as traders and merchants.

While Great Britain's hold on her American colonies ended soon after the battle of Yorktown in 1781, Lord Cornwallis's career was only briefly derailed. In 1786 he was

appointed Governor-General of British India, replacing John MacPherson, who served as Governor-General for less than two years after the resignation of Warren Hastings.

Cornwallis was considered an effective, perhaps gifted, Governor-General. He served in this capacity until October 1793, and was reappointed to a second term in 1805. Just two months after his return to India, however, he fell seriously ill and died in Ghazipur, India on October 5, 1805.

Ghazipur is not principally known as the resting place of the general who lost at Yorktown in 1781. Ghazipur is most recognized as the site of the largest legal opium factory in the world. Founded in 1820 under the British Raj, it is now operated by the Indian government and produces the purest form of medicinal opium in the world, and it produces it in staggering quantities. According to *bbc.com* (*Amarnath Tewary: Inside the world's largest opium factory*), the Ghazipur factory produces between 200 and 250 metric tons of opium each year, just to satisfy demand from the U.S. and Japanese pharmaceutical markets.

When Cornwallis assumed the position of Governor-General, he quickly recognized the hardship that the opium monopoly had created for small farmers who were compelled to grow poppies for EIC opium production. Their plight is graphically portrayed in Amitav Ghosh's *Sea of Poppies*, and more factually treated in David Edward Owen's *British Opium Policy in China and India*.

Small farmers were being coerced into abandoning traditional crops and growing opium poppies exclusively. Once they made that transition, they were at the mercy of the contractors who acquired exclusive rights under the EIC monopoly system to buy in their territory. Unscrupulous contractors set the purchase price below fair value to maximize profits. This was explicitly forbidden by EIC contracts, but the practice became commonplace as greed overpowered duty.

Cornwallis tried to correct these abuses, but eventually concluded that the monopoly

system was at the root of the problem and should be abandoned altogether. According to Richard Davenport-Hines (*The Pursuit of Oblivion*), this proposal was rejected by Prime Minister William Pitt the Younger, who was reluctant to disrupt what was increasingly becoming an important source of revenue.

So it goes. The original monopoly system established by Warren Hastings continued because it generated huge revenues. As damning evidence mounted, major changes to the system were rejected because the revenue stream was considered essential. Most who objectively studied the problems arising from opium concluded that the British should abandon the trade, but objectivity was sacrificed to expediency. The decision to stop became harder with each passing year. Great Britain had become addicted to opium.

Throughout the nineteenth century, an ever-increasing supply of opium flowed through Calcutta, most frequently ending up in China. The independent trading companies that could handle the schemes and complicity of opium running made vast fortunes, while opium addiction intensified in China. The firm of Jardine, Matheson and Co. was one of the trading companies that was most successful in the trade, and they still exist as a formidable multi-national trading and investment company. James Clavell's *Noble House* was partially inspired by the Jardine, Matheson and Company story.

A complex bribery system facilitated the distribution of contraband opium within China. The most famous "facilitator" was Houqua, the Chinese Hong merchant who is said to have amassed a fortune worth \$26 million before the Emperor took decisive action against opium traffickers. The irony in this story is poignant; not far from the poppy fields that fueled the opium factories, indigenous Indian tea was growing wild, and would soon come under EIC control.

Our series on *Reversals of Fortune in the Tea Industry* will continue in the next issue of the *Upton Tea Quarterly*.