



universität
wien

MASTERARBEIT / MASTER'S THESIS

Titel der Masterarbeit / Title of the Master's Thesis

„The Political Economy of Opium in China in the Context
of Inter-Imperial Power Struggles, ca. 1860-1937“

verfasst von / submitted by

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angestrebter akademischer Grad / in partial fulfilment of the requirements for the degree of
Master of Arts (MA)

Wien, 2019 / Vienna 2019

Studienkennzahl lt. Studienblatt /
degree programme code as it appears on
the student record sheet:

A 066 805

Studienrichtung lt. Studienblatt /
degree programme as it appears on
the student record sheet:

Masterstudium Globalgeschichte und Global Studies / Master
Global History and Global Studies

Betreut von / Supervisor:

a.o.Univ.-Prof. Dr. Erich Landsteiner

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Important Historical Events

Year	Event	Explanation/consequence
1713	First British trading outpost in Canton	
1757	Confining of foreign trade to Canton	
1839-42	First Opium War, Treaty of Nanjing	Opening of 5 Treaty Ports and ceding of Hong Kong
1850-64	Taiping Rebellion	Civil war with 20 million dead
1856-60	Second Opium War, ending with convention of Beijing	Ceding of 11 further Treaty Ports
1858, June	Treaty of Tianjin I (a series of treaties of China with Great Britain, France, the USA, and Russia)	Legalization of opium imports in China, allowance of Christian missionary activity
1858, May 28	Treaty of Aigun	China surrenders over 600,000 km ² in North China to Russia
1861-95	Self-Strengthening Movement	central government launches a campaign to modernize the economy and military, mostly executed by provinces
1868	Treaty of Burlingame	Treaty between China and the USA, giving the US access to the Chinese market and allowing unlimited immigration of Chinese to the US
1884 - 1885	Sino-French War	War about control over Tonkin (Northern Vietnam)
1885	Treaty of Tianjin II	China recognizes French protectorate in Annam and Tonkin (Vietnam)
1894-95	Sino-Japanese War	China gives up Taiwan and has to pay indemnities
1899-1901	Boxer Rebellion	Eight-Nation Alliance invades North China, penalty payments for China
1901-12	Qing Reforms	
1906	Treaty between GB and China	GB agreeing on ending opium exports to China within 10 years
1909	International Shanghai Opium Commission	
1911-12	Revolution	Declaration of the Chinese Republic
1912	International Opium Convention in The Hague	First international treaty in drug control on opium and cocaine
1916 - 1927	Warlord Period	No stable central government
1925	International Opium Convention in Geneva	
1927-1937	Nanjing Decade	Guomindang ruling most of China
1928, 10th September	Opium Suppression Act, Opium Suppression Regulation	
1931	International Convention for Limiting the Manufacture and Regulating the Distribution of Narcotic Drugs	
1934, February	Launching of the New Life Movement	Guomindang mass mobilization campaign
1934, 23rd June	Announcement of the Six-Year Plan to Eliminate Opium and Drugs	
1936	International Convention for the Suppression of the Illicit Traffic in Dangerous Drugs	
1937	Japanese Invasion	Beginning of World War II in Asia

Weights and Measurements

Tael / Liang	1 liang or 1 tael = ca. 37,3 gramm ¹
Picul	1 picul = ca 60 - 62,6 kg ²
Chest	1 chest = 60 – 72 kg ³
Mu	15 mu = ca. 1 hectare ⁴
Chinese Square Feet	6,000 Chinese Square Feet = 1 mu ⁵
bigha	1 bigha = 2529.29 square meters ⁶

All weights in tons are given in metric tons, if not stated otherwise

The dollar sign \$ refers to Mexican silver dollar or Yuan.

¹ Yiming Dong, 'Etude sur le probleme de l'opium dans la region du sud-ouest de la chine pendant les annees 1920 et 1930' (unpublished doctoral thesis, Paris, EHESS, 1997), p. 8.

² Carl Trocki, *Opium, Empire and the Global Political Economy: A Study of the Asian Opium Trade 1750-1950* (London, New York: Routledge, 1999), p. x.

³ Trocki, p. x.

⁴ Dong, p. 8.

⁵ Tsui Chi, *A Short History of Chinese Civilisation*, 1945, p. 43 <<http://archive.org/details/in.ernet.dli.2015.226161>> [accessed 31 July 2019].

⁶ Rolf Bauer, *The Peasant Production of Opium in Nineteenth-Century India* (Brill, 2019), p. xiv.

Preface and Acknowledgments

In 2010 a girl from Shenzhen, China, was visiting me in my home via Couchsurfing. Couchsurfing, this magical platform that connects travelers all over the globe, allows people to share their home with complete strangers to provide them with a bed and their time during their trip. This girl from the other end of the world stayed with me in my one-room students' apartment and shared her experiences about her studies abroad in Finland, about her travels, and of course about her homeland. I was hooked. Probably about half a year or so later in 2011, I visited China for the first time. I had prepared for my journey by studying Chinese, but the six months of lessons I took of course were only enough to get through the most necessary daily errands. I was astonished about this new world that opened up before me. For years I had been hearing through hear-say, news and maybe the one or the other documentary about this country on the other end of the world, about its booming economy, about poverty and struggles in development. In the end everything was different, from what I've heard, from what I knew, but it was also kind of familiar, kind of the same. Things worked differently but they worked.

When I returned to Austria, I continued my Bachelor studies in sociology and soon lacked the time to continue studying Chinese. But in my head the thought stuck that the focus on Western societies and Western scholars was not enough. I was driven to broaden my perspective, take hold of a bigger picture, the differences and the connections between different societies and their different paths of development. So, after I got my bachelor's degree, I decided to study Global History - and soon started studying Chinese again. Already in the first semester of my Master studies I took classes that inspired me to continue my research into the global economy with a focus on China and its economic history in the global world system. In an introductory class taught by Peer Vries, I learned for the first time about the Qing state and its economy in the 18th and 19th century and wrote my first assignment about that topic. It was then, in a class titled "Drugs and empires. A global historical perspective", led by my supervisor Erich Landsteiner and (at that time) doctoral candidate Rolf Bauer, that I came into closer contact with the matter of opium.

The topic seemed to have it all: a commodity that interlinked Great Britain, India and China, and served as a perfect example on how global exploitation linked everything in the global economy. Opium, a commodity that is highly addictive, served the profit interests of the British Empire and the British East India Company. But soon I realized that there was more to it than countries just being made helpless victims by being subjected to western imperialism as they

are often depicted by western scholars. In my opinion China was far from corresponding to that image.

The Qing state and its population took chances where they could and had different strategies to handle the new economic and political situation that was introduced by the opium wars and the unequal treaties. What really amazes me is how quickly opium – almost in a manner of import substitution – became a locally produced good that soon took over the immense market share that had been held by Indian opium. At the same time the state – at the local as well as at the central level – managed to partly integrate the opium business into its own system of revenue and was able to experience a certain level of prosperity during the 1860s and 1870s, which was only brought to an end during the Global Depression of the 1880s and the wars of the late 19th century.

During the Republican Era, opium was used by warlords to finance their warfare and destabilize the political system. At the same time, it was the revenue of taxation and fines on opium business that enabled the nationalist Guomindang party to finance their Northern Expedition and unify the country again in 1927. Opium products were also increasingly used by foreign powers such as Japan, to gain influence in China, while countries such as the United States feared increasing drug exports to their own country, as well as losing economic influence.

This thesis is not just about opium – it is about opium as an example of how a country and its institutions can act in the context of a world-system in which economic and political decisions can never be made in isolation, but always incite reactions of other players in the game. My personal goal in this thesis is thus to put the analysis of the Chinese opium economy after 1860 into the broader theoretical context of global capitalism and state-building.

All that said, I want to thank my professors and teachers for teaching and inspiring me to do research, my friends and study colleagues who stood by my side, be it in life, before exams, or at one or the other beer after class. And of course, I want to thank my family and my parents. My parents, who both worked full-time jobs since the age of 15, did everything they could to support me to get where I am today. It was their financial and emotional support that gave me the possibility to study, so without them, this master thesis here at hand could never have become reality.

1. Introduction

1.1 Research questions and theses

I will explore Chinese Opium cultivation, production and trade in its international and national economic and political context, in the period between 1860 and 1937. I chose the ending of the Second Opium War as the starting point, since the official legalization of the opium trade it had brought marked a major turn in the domestic opium economy. While before the opium wars, the opium trade had been dominated by illegal imports of British-Indian opium, the following period saw the increase of domestic cultivation and taxation, first by local and then also central authorities of the state. One focus of my research is the role opium and its taxation played for public revenue. Another focus is the policy which the state adopted towards opium and how it changed. I chose the year of the Japanese invasion as the end point of my study, as it marked the beginning of the Second World War in Asia and therefore of a new period, in which opium policy was subjected to different dynamics. The Guomindang government had to withdraw to Chongqing, a puppet government was installed by the Japanese and the Guomindang's anti-opium plan abandoned.

The **question** that will guide my overall research reads as follows:

How did Chinese opium politics and the opium economy develop in the context of national and international power struggles?

The derived **sub-questions** are the following:

- 1 *What political and economic functions did opium fulfill for the central state and the provinces?*
- 2 *How was opium integrated into the state's system of revenue collecting?*
- 3 *What were the political and economic interests and influences of foreign counterparts in matter of opium production and trade?*

These questions have led me to put forward the following **theses**.

The state's capacity to take control over the opium economy had several **functions**, which were continuous over the 1860-1937 period:

- 1 Opium control was used as a **means of revenue** by central as well as local power holders through taxes and fines. It was therefore **embedded in a power struggle** between central and provincial power holders.
- 2 Opium control was used as a means of **establishing public and moral legitimacy towards the Chinese population**, which became increasingly important under the Nationalist government, which aimed at creating a modern state and mass mobilization.
- 3 The capacity of the state to control opium trade and production was also a matter of **establishing public and moral legitimacy towards the international political community**.

The functions and interests opium fulfilled for **foreign powers** in China changed over the observed period:

- 1 During the Qing period, the **economic function of opium** for the British empire was on one hand that of a **commodity** that could be sold to China for profit or exchanged for other goods.
- 2 On the other hand, through the opium trade it was possible to **integrate China into the global financial system** with the money market of London as its center and the expansion of British banks into China.
- 3 In the Late Qing Era and the Republican Era, when domestic cultivation more and more replaced foreign opium imports, Western foreign powers started considering the **economic and political damage** opium was causing for them:
 - a. The increasing amount of production in combination with lack of state control lead to **reverse smuggling** from China to Western countries such as the USA, which internationally campaigned for prohibition.
 - b. The importance of opium in the Chinese economy **threatened Western geopolitical interests** as it was used by Japan to increase its economic and political dominance in China.

I will start by introducing the underlying theories that guided my research, mainly world-system theory, followed by an historical overview about opium consumption in China and the early decades of British-Indian opium imports to China. In Chapter 2, I will discuss the opium economy in Late Qing China. The influence of the mid-century rebellions on opium production will be examined, as well as the development of native opium cultivation and the means by which

it was taxed. In Chapter 3, I will give an overview over the development of the economic foreign relations of China, which profoundly changed during and after the First World War. Although the matter is not directly connected to opium, it provides the pretext and context for developments in the opium economy in the early 20th century. In Chapter 4, I will analyze how opium was used by warlords as a means of financing war, the development of domestic production and the dominant trade routes of this era. Finally, in Chapter 5, I will discuss the Guomindang's aim at centralizing opium revenue in their hands during the Nanjing decade, and how they tried to bring opium revenue and opium-prohibition policy to a common denominator.

1.2 China in the East-Southeast-Asian world system

The opium economy in China did neither develop in an isolated national environment, nor was it a mere matter of Great Britain as a single country forcing China into a global capitalist world system. The Chinese economy itself was the center of an East-Southeast Asian world system based on the Chinese tributary system. The advancement of British trade into China went hand in hand with the erosion of that system and the integration of China as well as the East-Southeast Asian system into a global capitalist world economy with Great Britain at its center.

Let us begin with the following question: What is a world system? Immanuel Wallerstein speaks of the modern capitalist world system as a world economy, which is “a large geographic zone within which there is a division of labor and hence significant internal exchange of basic or essential goods as well as flows of capital and labor”, which is “not bounded by a unitary political structure” but comprises “many political units inside the world-economy, loosely tied together in our modern world-system in an inter-state system.”⁷ According to Wallerstein, the modern world system emerged in Europe in the 16th century and had a new feature that distinguished it from any other system that had been existing before: endless accumulation of capital.⁸ This approach was criticized by Andre Gunder Frank and Barry Gills, who claimed that capital accumulation had been the feature of a much older global world system at least since antiquity.⁹ Giovanni Arrighi, however presented further distinguishing features, proving the uniqueness of the capitalist world system: systemic cycles of accumulation and the fusion of territorial and capitalist logic which created the modern capitalist state. In the 15th century, Genoese merchants joined forces with Iberian territorial rulers, and starting the first cycle of systemic capital

⁷ Immanuel Wallerstein, *World-Systems Analysis. An Introduction*, 5th edn (Durham: John Hope Franklin Center, 2007), p. 23.

⁸ Wallerstein, p. 24.

⁹ André Gunder Frank and Barry K. Gills, *The World System. Five Hundred Years or Five Thousand?* (London: Routledge, 1993), pp. 5–6.

accumulation, then in the 16th century, they acquired the rights to control the American silver and became the guarantors of Spanish liquidity.¹⁰

From the 15th century onward, this new capitalist system expanded from the Italian city states to the rest of Europe and further until every inch of the planet was under its wing. It divided areas into wealth-accumulating centers, wealth-delivering peripheries, and the intermediating semi-periphery in between. As stated by Arrighi, during this process the system underwent several cycles of capital accumulation, which were always initiated by a phase of material expansion that was followed by a phase of financial expansion, which was the result of diminishing marginal returns in the productive sphere. Wallerstein's model acknowledged the need for continuous technological innovation to ensure the endless accumulation of capital but did not explain in detail how these innovations take place and how they affect the accumulation of capital. Arrighi, on the other hand, shows in his analysis how each cycle is accompanied by an organizational revolution and new financial instruments.¹¹ Since a cycle is only a cycle, if it is "promoted and organized by the *same* agency or group of agencies", he sees the system of the 15th century as clearly distinguishable from the system that for example Janet Abu Lughod had described as existing in the 13th century.¹²

Abu-Lughod had made the case for the existence of a world system in the Late Middle Ages that had connected Africa, Asia and Europe in a complex trade network under Muslim dominance. In her opinion it was only through the demise of this Medieval system that the emergence of the world system of the 15/16th century had been possible. In her words, "the fall of the East proceeded the 'rise of the West' and opened up a window of opportunity that would not have existed had matters gone differently."¹³ These words might be true as well for the East-South-east Asian system in the 19th century, which I will later describe. The integration of China into the global capitalist world system would not have been possible without the disruption of the Chinese centered tributary system.

Many authors have tried to rectify the Eurocentric notes of world-systems analysis by focusing on the specifics of regional Asian economies and trading networks that had existed long before Asia's integration into the global world-system and continued existing well after. Alvin Y. So

¹⁰ Giovanni Arrighi, *The Long Twentieth Century: Money, Power and the Origins of Our Times* (London, New York: Verso, 2010), pp. 120–34.

¹¹ Arrighi, p. 15.

¹² Arrighi, p. 89.

¹³ Janet L. Abu-Lughod, *The World System in the Thirteenth Century: Dead-End or Precursor?* (Washington, DC: American Historical Association, 1994), p. 16.

and Stephen W.K. Chiu speak of China, previous to the Opium Wars, as core zone of an ‘Asian super-world-economy’ that embraced East Asia, India, the Indian Ocean, the Persian Gulf, Arabia, and the Red Sea”, and see the opium wars as the beginning of the incorporation of China into the “capitalist world-economy.”¹⁴ While Wallerstein’s model of the global world system has only two layers – the local economies and the world economy – Takeshi Hamashita adds “areas” or “regions”, describing them as historical formations and as an “intermediate category between the nation and the world”, which is in the case of East-Southeast Asia, the Chinese tributary trade system.¹⁵ Satoshi Ikeda relates to Hamashita’s studies and calls these regional economies *regional world-systems*, which he sees as sub-systems of the global world-system:

“I am using the latter [the term ‘regional world-system’] because the East-Southeast Asian regional economy shared some similarities with the European world-system, i.e., multiple political jurisdictions organized into a hierarchical order similar to an interstate system with the movement of goods and people occurring to such a degree that this movement became integral and indispensable to the maintenance of daily life and political rule.”¹⁶

I will subsequently use the term East-Southeast Asian world system, which I see as a regional sub-system of the global capitalist world system, in reference to Ikeda. At the core of this system was the Chinese tribute system that hierarchically organized all trade patterns inside. Since the Ming dynasty, the countries surrounding China had been classified in different groups of proximity, all of which were obligated to pay tribute to China by sending tributary missions. In return for their tribute, they would receive “gifts” from the emperor. This was not a barter system. Tribute was often exchanged for silver and prices were fixed according to the average prices in Beijing. Korea, Japan, Annam, Cambodia, Champa, Java, and many more had been part of that system during the Ming. During the Qing, Vietnam, Laos, Burma, Portugal and Holland joined the tributary system, whereas Japan refrained from paying tribute during the Tokugawa period (1600-1868).¹⁷ China could maintain this system as long as its partners saw themselves as profiting from trade relations with China. During the Qing period, however, price levels became more and more unfavorable for the tributary partners and the system was put into

¹⁴ Alvin Y. So and Stephen W. K. Chiu, *East Asia and the World Economy*, 1 edition (Thousand Oaks, CA: SAGE Publications, Inc, 1995), pp. 5–6.

¹⁵ Takeshi Hamashita, *China, East Asia and the Global Economy: Regional and Historical Perspectives* (Routledge, 2013), p. 12.

¹⁶ Satoshi Ikeda, ‘The History of the Capitalist World-System vs. the History of East-Southeast Asia’, *Review. Fernand Braudel Center*, 19.1 (1996), 49–77 (p. 53).

¹⁷ Hamashita, pp. 15–18.

question. As a consequence, private trade, which had always accompanied the tributary missions, grew and threatened to surpass the importance of the tributary trade.¹⁸

The aggressive meddling of Europeans in Chinese trade and Asian political affairs in the course of the 19th century further eroded the tributary system: Hong Kong and Singapore came under British rule; Tokugawa-Japan brought Taiwan and Korea under its rule (and later also North China); Vietnam fell under French control. Western scholars often interpreted the industrialization of Japan as an answer to the opening of Japan to foreign trade by the United States of America in 1853. However, scholars, who use the approach of the Chinese tribute system as the defining structuring feature for that region, came to rather different conclusions. Heita Kawakatsu for example argues, that Tokugawa-Japan had only chosen its policy of isolation in order to escape Chinese dominance. So when it was confronted with a situation in which it was forced to open to international trade, there was no other possibility then rapid industrialization in order to compete with China which produced rather similar goods.¹⁹ Hamashita makes the same case, pointing to Japanese merchants in the 1890s desperately trying to gain foot in the Hong Kong market.²⁰ Japanese imperial aggression towards China in this school of thought can be seen as the attempt to replace China as the central power of the East-Southeast Asian regional world system. After the First World War, opium became one of the commodities which helped Japan to gain access to the Chinese market and secure its geopolitical influence in the region vis-a-vis Western powers.

Arrighi, Hui, Hung and Selden see the Opium Wars as turning point for the East-Southeast Asian world system: “China virtually ceased to be the center of a ‘world in itself’ (the East Asian system) to become a subordinate member of the UK-centered global capitalist system.”²¹ The underlying assumption is that opium was a crucial commodity in the integration of the East-Southeast Asian world system into the global capitalist world-system. Carl Trocki points out, that opium was the commodity that had made it possible to integrate the Chinese people into the global economic system as consumers.²² Hamashita, on the other hand, shows how the use of drafts and barter in the opium trade by British, American and Chinese merchants with each other led to the integration of Chinese markets into to the global capitalist financial system,

¹⁸ Hamashita, p. 21.

¹⁹ Heita Kawakatsu, ‘Historical Background’, in *Japanese Industrialization and the Asian Economy.*, ed. by A.J.H. Latham and Heita Kawakatsu (London: Routledge, 1994), pp. 4–8 (pp. 6–7).

²⁰ Hamashita, pp. 23–24.

²¹ Giovanni Arrighi and others, ‘Historical Capitalism, East and West’, in *The Resurgence of East Asia. 500, 150 and 50 Year Perspectives*, ed. by Giovanni Arrighi, Takeshi Hamashita, and Mark Selden, 1st edn (London: Routledge, 2003), p. 293.

²² Trocki, p. 31.

that had London's money market at its core.²³ The structures of the Chinese regional system, however, continued to exist and made it hard for foreigners to grab a foot in China, as Arrighi, Hamashita and Selden acknowledge:

“Far from destroying indigenous forms of family capitalism, the subordinate incorporation of China within the structures of the UK-centered global capitalist system led to a renewed expansion of the Chinese merchant networks and communities that over the previous millennium had developed in the coastal regions of China and in the interstices of the China-centered tribute-trade system.”²⁴

This tendency is also visible in the Late Qing opium trade, in which foreigners and foreign opium was soon crowded out by local merchants and an increasing supply of domestically cultivated opium. At the same time opium farms in the European colonies of Asia, such as Singapore, Siam, Indochina and so on where all run by Chinese capitalists rather than westerners and fostered the spread of capitalism in the South-Asian countries of the former tributary system.²⁵

On the global level, the 19th century was a period of rapid British expansion, while the early 20th century saw the dwindling of global British power in favor of other states. The Great depression of 1873-96 heralded the end of the phase of material expansion in the British cycle of accumulation and was the first crisis of British hegemony.²⁶ Opium was increasingly integrated into the Chinese economy and grown domestically, and the country soon became independent from Indian imports. The hegemonic crisis of Britain was intensified in the course of the First World War, when Japan and the United States became rising powers in East Asia, and culminated in the Second World War. International tensions were often played along the lines of drug trafficking and drug policy, as I will show in chapter 5.4.

1.3 Opium and the creation of a modern state

The East-Southeast Asian system with the Chinese empire at its core for sure had not been a capitalist system before its integration into the global world system. Kenneth Pomeranz has argued that eighteenth century China probably came closer to the ideal of a neoclassical market economy than any European state²⁷ – capitalism, however, was the domain of the Europeans.

²³ Hamashita, pp. 114–44.

²⁴ Arrighi and others, p. 295.

²⁵ Trocki, pp. 298–99.

²⁶ Giovanni Arrighi and Beverly J. Silver, *Chaos and Governance in the Modern World System* (University of Minnesota Press, 1999), p. 64.

²⁷ Kenneth Pomeranz, *The Great Divergence: China, Europe, and the Making of the Modern World Economy* (Princeton University Press, 2000), p. 70.

In the model of Fernand Braudel, the economy is divided into three layers: 1) the material layer, which is the home of basic everyday activities and subsistence 2) the market economy 3) and a layer of social hierarchies which is the sphere of capitalism:

“... looking up instead of down from the vast plane of the material economy, one finds that active social hierarchies were constructed on top of it: they could manipulate exchange to their advantage and disturb the established order. ... To me, this second shadowy zone [Note: The first ‘shadowy zone’ is the sphere of material life below the market economy], hovering above the sunlit world of the market economy and constituting its upper limit so to speak, represents the favoured domain of capitalism, as we shall see. Without this zone, capitalism is unthinkable: this is where it takes up residence and prospers.”

Unlike Marx, for Braudel, capitalism is not a mode of production, but rather the mode in which capital is redirected.²⁸ It is the sphere of redirecting surplus profits and establishing monopolies for the profits of the few, rather than the sphere of universal free markets, that constitutes capitalism. It is an “anti-market” rather than a market mechanism, since the goal of capitalism is the endless accumulation of capital through the manipulation of markets.²⁹ A capitalist system is a system that “gives priority to the endless accumulation of capital”³⁰, but having a free market economy is not a prerequisite for experiencing neither capitalist economic growth nor development.

As stressed by Wallerstein, a capitalist world economy needs an inter-state system for capitalists to be able to “gain advantages of working with states but also [being able to] circumvent states hostile to their interests in favor of states friendly to their interests.”³¹ Arrighi builds up on Braudel’s and Wallersteins concepts, and emphasizes the fusion of the territorial logic’ of traditional rulers with the logic of capital accumulation – the fusion of state and capital - as a deciding moment in the creation of modern capitalism.³² In a fragmented political system, states not only compete with each other, but deliver vital protection to their own capitalist classes and facilitate the capital accumulation of merchants and entrepreneurs.

²⁸ Fernand Braudel, *Civilization and Capitalism, 15th-18th Century, Vol. I: The Structure of Everyday Life* (New York: Harper & Row, 1981), pp. 23–24.

²⁹ Fernand Braudel, *Civilization and Capitalism, 15th-18th Century, Vol. II: The Wheels of Commerce* (New York: Harper & Row, 1982), p. 230.

³⁰ Wallerstein, p. 24.

³¹ Wallerstein, p. 24.

³² Arrighi, p. 12.

The building of a modern state in a capitalist world system inherently means the building of structures that protect the interests of endless capital accumulation. Being integrated into the global world system means redefining one's place in the inter-state system – either as center, semi-periphery or periphery. To take part in the capitalist world system as a global player, rather than as a mere peripheral entity, meant that the Chinese empire had to be transformed into the kind of state that was set as a prerequisite by the Peace Treaty of Westphalia. The Qing government had been a centrally organized, though weak state when it came to effective power. Central power was exerted by 40,000 officials who were located all over the country and had to pass examinations about Confucian classics, but their number did not grow with the expansion of the empire. The main income of the Qing state was the highly centralized, but low land tax which was collected by its officials. Only the members of wealthy landowners could afford to have their children to be taught in Confucianism, therefore, according to Alvin Y. So and Stephen W.K. Chiu, the official examinations served as a “political channel binding the landed upper class with the state” and “preventing other social classes from challenging the existing political order”.³³ This relationship, however, was increasingly interrupted during the 19th century: Although the empire tremendously expanded its territory in the course of the 18th century, the number of officials remained the same. The population of the empire had been growing from about 120 million in 1600 to 200 million in 1766 and 350 million by 1812, which meant that official positions became increasingly contested among a growing number of applicants.³⁴

China was the uncontested hegemon in the East-Southeast Asian system and therefore had no incentive to change its structures. As Li puts it “the bureaucratic system of the Qing experienced no significant changes until the late nineteenth century. The Qing rulers saw no reason to expand and upgrade the fiscal machine when the existing amount of tax revenue was sufficient to cover its regular expenditures.”³⁵ More than half of Qing revenue was used for maintaining a standing but qualitatively declining army, with the number of soldiers throughout the 17th and 18th century being around 800,000 to 850,000. The methods and technology the military was using did not go through any progression until the late 19th century.³⁶ The Qing government

³³ So and Chiu, pp. 35–36.

³⁴ Huaiyin Li, ‘The Formation of the Qing State in Global Perspective: A Geopolitical and Fiscal Analysis’, *Frontiers of History in China*, 12.4 (2018), 437–72 (p. 456); Susan Mann Jones and Philip A. Kuhn, ‘Dynastic Decline and the Roots of Rebellion.’, in *The Cambridge History of China, Vol. 10: Late Ch'ing 1800-1911, Part 1*, ed. by John K. Fairbank (Cambridge: Cambridge University Press, 1978), pp. 107–62 (p. 108).

³⁵ Li, p. 459.

³⁶ Li, p. 459.

only reluctantly tried to modernize the empire, relying mostly on foreign military technology, but for the longest time refrained from touching its political foundations.

Charles Tilly, observing developments in Western Europe, saw the waging of war as a major tool in state building.³⁷ In the case of China, however, during the 19th century, warfare had resulted in the decentralization of political and economic power from the central government to the provinces. Koyama et al. try to explain this development: They stress that “the emergence of geopolitical threats from the West in the second half of the nineteenth century” had “differential effects on state building in different parts of Asia”.³⁸ Historically the Chinese state was directed towards the Northern border to defend its territory from nomadic tribes. From the mid-19th century onwards, Russia replaced this threat in the North while Western powers became an additional threat at the coastline. In their study, Koyama et al. use a mathematical model to explain the different paths of development between China and Japan and show that a state or empire that is confronted with a two-sided threat has a tendency either towards centralization or decentralization, depending on the territory’s size. In their line of argument, the larger the territory, the larger the costs of fighting a centrally organized war on two fronts, leading to the outsourcing of responsibility to local powerholders. The opposite, however, is true for a small territory, where centralization leads to a much more cost-effective building of defense.³⁹ This makes sense: In a time where communication could only be as fast as the carrier of the message, centralized decision-making in a large territory would need much more time and resources to reach its recipients. It was reasonable to leave the power over decisions, in territories far apart from the political center, to local powerholders, especially when fast decisions were of importance, as it is the case in times of war. In other words, the double-threat will lead to a dispersion or decentralization of state power.

Koyama et al. further point out, a politically centralized authority in such a situation has to heavily invest in its state capacity, which leads to a reduction of cost of reform, since reforms need increased state capacity. Such a state therefore is entering a reform-ready state as institutional reforms do not lead to additional costs. A large territory, on the other hand, would have to make additional investments into state capacity before being able to implement reforms.⁴⁰ Using this argument, they explain what they call the “Little Divergence”, the growing disparity

³⁷ Charles Tilly, *Coercion, Capital and European States, A.D. 990 - 1992*, 1st edn (Oxford: Blackwell, 1990).

³⁸ Mark Koyama, Chiaki Moriguchi, and Tuan-Hwee Sng, *Geopolitics and Asia’s Little Divergence: A Comparative Analysis of State Building in China and Japan after 1850* (Rochester, NY: Social Science Research Network, 28 October 2015), p. 180.

³⁹ Koyama, Moriguchi, and Sng, p. 188.

⁴⁰ Koyama, Moriguchi, and Sng, pp. 189–90.

of economic and political power between China and Japan. Under the Guomindang, the Chinese central government tried to reassert its power over the provinces, criminal gangs and institutions of the civil society. It is likely that their partial success was due to a smaller territory being under their control than during the Qing period. But they still had to lead fights at several fronts to defend this territory and were dependent on the outsourcing of political and military responsibilities to other groups, such as warlords or local gangs.

To close this chapter about the creation of a modern state and state-building, I would like to point out that, even though from an outside view the state might sometimes appear as a conscious unity with an inherent logic of action, it is important to not mistake it for a rational actor in itself. The state is not a living being. It is an assembly of institutions on various scales and levels that is able to assert a certain kind of power over a population that is under its rule. But all those institutions are embedded in societal structures and managed by individuals and all political decisions are made by individuals. The state is a materialization of the power relations between those individuals, the groups to which they belong, and the interests they share or don't share. In order to describe this phenomenon from a historical materialist perspective, Nicos Poulantzas, has coined the expression of the modern capitalist state as a "condensation of a relationship of forces".⁴¹ Ulrich Brand, in the tradition of Poulantzas, describes the relationship between capitalism and the state as follows:

"... das Funktionieren des Kapitalismus [hängt] ... von einer solch institutionell und diskursiv separierten Instanz ab..., die relativ unabhängig von den Klassen die allgemeinen Reproduktionsbedingungen sichert. Der Staat ist ein strukturiertes soziales Verhältnis neben anderen wie dem Lohnverhältnis, dem Geschlechterverhältnis, der Struktur des Weltmarktes, der internationalen Arbeitsteilung oder der gesellschaftlichen Naturverhältnisse. Werden diese Verhältnisse nicht sozial stabilisiert, geraten essentielle Bedingungen sozio-ökonomischer Prozesse in Gefahr: Vorhersagbarkeit, Planbarkeit und insbesondere die Sicherheit von Investitionsentscheidungen."⁴²

"The functioning of capitalism is dependent from a discursively separated institution, which, independently from the economic classes, secures the means of reproduction. The state is a structured social relationship next to other relations such as

⁴¹ Nicos Ar Poulantzas, *State, Power, Socialism* (Verso, 2000), p. 123.

⁴² Ulrich Brand, 'Internationalisierung des Staates', in *Theorien der internationalen politischen Ökonomie*, ed. by Joscha Wullweber, 2013, pp. 299–313 (p. 304).

wage rates, gender relations, the structure of the world market, the international division of labor or relations with the natural environment. If these relations are not stabilized, the necessary requirements of socio-economic processes are endangered: predictability, planning capability and the security of investment decisions in particular.” [translation by author]

I consider this understanding of the nature and the functions of the state crucial regarding state-building policies, which are always embedded in power structures and always contested.

The structure of the Qing state, by the beginning of the 20th century, was no longer able to reconcile the different interests of power or secure the general provisions of reproduction for the society it was embedded in. The successive political groups were confronted with transforming the remains of a traditional empire that had functioned within the logic of the tributary system, to a modern state that could function within the context of a capitalist world economy. Following this school of thought, the state-building agenda of the Guomindang, in which opium played a large part, can be interpreted as an attempt to stabilize the social relations of the state in order to reestablish predictability, planning capability and the security of investment decisions – in other words, to ensure the functioning of the state’s institutions and its economic foundation – not only internally – but vis-à-vis the capitalist world economy and the international community in which it was now integrated and increasingly dependent on. In doing so, the representatives of central state institutions were in conflict with other social groups that were active in the state’s structures and the society as a whole. As we will see at a later point, during the Nanjing decade this was for example the case in the question of opium prohibition, when organizations of an emerging civil society, such as the Anti Opium Association and international anti-opium conferences, were challenging the central state’s opium policies.

Central power holders were confronted with the paradox that they were profiting from opium, but at the same time dependent on the support of other parts of the population, such as the emerging capitalist class, to legitimize and secure their rule. To overcome these struggles, the use of anti-opium ideology was of central importance. When it comes to ideology according to Poulantzas....

“Ideologic relations are themselves essential to the constitution of the relations of possession and economic property, and to the social division of labour at the heart of the relations of production. The state cannot enshrine and reproduce political domination exclusively through repression, force or ‘naked’ violence, but directly calls upon ideology to legitimize violence and contribute to a conclusion of those

classes and fractions which are dominated from the point of view of political power.”⁴³

As I will show, the Qing state as well as the Guomindang state both relied on ideology, rather than pure “force” or “naked violence” to legitimize their authority. They both used opium for revenue while at the same time referring to anti-opium ideology in order to appeal to national and international audiences. They both did not have the military strength to merely rely on their armed forces. Civil society, local powerholders and to some extent imperial forces were all part of the power relations in the state. Ideology was a tool of the central government – even though not always a successful one – to establish dominance in these relations. I will explore these relations in chapter 5, when I look at the connections between opium, political power, and opium-policy as a tool of achieving legitimacy in front of the national civil society and the international community.

Finally, it should be mentioned, that the original concept of the state as the condensation of a relationship of forces was used in the context of European states and their history of class struggle between a class-conscious proletariat and a striving bourgeoisie, though in the case of my study, I will not focus on struggles between the emerging Chinese proletariat and the bourgeoisie. While one can hardly speak of a class-conscious proletariat or a developed bourgeoisie during the Qing period, during the Republican Era a working class began to gain momentum in the Treaty Ports at the coast, culminating in the founding of the communist party, which was one of the Guomindang’s biggest adversaries. The Shanghai massacre of 1927, which targeted the Communists, was conducted with the help of the Mafia-like Green Gang with whom the Guomindang also had arrangements regarding the opium trade. Opium revenues were not only used to bring warlords under central control, but also used to finance the Guomindang’s war against the Communist party. The focus of my thesis, however, will be not on the conflicts between workers and capitalists, or between the Guomindang and the Communist party, but mostly about the conflicts between central and local powerholders, who quite often struggled about the share they would receive from opium revenue. I found it nevertheless useful to keep these theories in mind when analyzing the various conflicts between the central government, provincial governors, civil society, warlords, the international community, and so on, to escape the temptation of creating the state or its institutions as single monolithic unities or single-minded actors that always follow a coherent logic.

⁴³ Poulantzas, p. 28.

1.4 Origins of the use of opium in China

To gain a broader insight into the role that opium played in China, it is helpful to look at the broader context of the drug's origins and use. Opium, being a derivate of the liquids of the poppy flower, was first used in Western Europe, historical evidence placing its consumption as far back as 3100BC.⁴⁴ As poppy can be cultivated in a variety of topographic areas and climates, it soon spread over the Eurasian continent: Trocki draws the line of its expansion from the northwest to the southeast, from Europe along the Neolithic trade routes of the Alps to the Mediterranean Sea. Used in Greek fertility cults around 2000BC, it then spread from Greece to the Arabian world and further to India as a drug for soldiers and laborers before it finally reached China sometime between the 7th and the 10th century AD.⁴⁵ Opium then became an important element of Chinese imperial medical culture: From treating diarrhea and stomach problems to the alleviating of cough and malaria fever, it was used for a wide range of therapeutic purposes and was consumed via ingestion.⁴⁶ At some point during the 15th century its use was also extended to being an aphrodisiac for the wealthy that prolonged male sex performance.⁴⁷

The habit of opium smoking appeared in the 16th century and was closely linked to the spread of tobacco. This is exemplified by the fact that the first reports of opium smoking emerged in Fujian and Guangdong, the same areas that had been the first at which tobacco entered the country.⁴⁸ Together with new food plants, such as sweet potato and maize, tobacco had entered the country probably as early as 1550 and became widely used in the mid-seventeenth century.⁴⁹ At that time, opium was not smoked in pure form but mixed as crude opium together with tobacco, forming a blend called *madak*.

The smoking of opium had several advantages compared to traditional consumption by ingestion: On one hand, the effect was felt immediately without delay, making dosage easier; on the other hand, overdosing while smoking was almost impossible, as smokers would become unconscious before inhaling a lethal amount.⁵⁰ The smoking of *madak* and later pure opium was

⁴⁴ Trocki, p. 14.

⁴⁵ Trocki, pp. 14–20.

⁴⁶ Frank Dikötter, Zhou Xun, and Lars Laamann, *Narcotic Culture: A History of Drugs in China*, 1st edn (Chicago: University Of Chicago Press, 2004), p. 76,84.

⁴⁷ Yangwen Zheng, *The Social Life of Opium in China*, 1st edn (Cambridge, UK ; New York: Cambridge University Press, 2005), pp. 10–24; Dikötter, Xun, and Laamann, *Narcotic Culture*, pp. 88–92.

⁴⁸ Dikötter, Xun, and Laamann, *Narcotic Culture*, p. 33.

⁴⁹ Zheng, pp. 26–28.

⁵⁰ Trocki, p. 37.

increasingly associated with leisure and relieve of boredom for the higher classes. As Madancy states “wealthy young men were among the country’s first opium smokers”⁵¹. The smoking of pure opium, called *chandu* can be traced back to before the 1760s, though the use of *madak* remained prevalent up until the late 18th century.⁵² The increase of opium consumption as *chandu* throughout the 18th and early 19th century can be ascribed to the following three factors.

For one, *madak* and *chandu* contained different levels of morphine – estimates vary depending on the author. Jonathan D. Spence, for example, refers to *madak* as containing an approximate amount of 0.2 percent morphine, whereas *chandu* had a content of up to 10 percent morphine.⁵³ Dikötter maintains that the most prominent breeds, Patna and Benares, contained only 2 to 4 percent of morphine⁵⁴, while Lin refers to “Indian opium” as having an average morphine content of 8 percent.⁵⁵ Whichever estimate is taken to be true, without doubt the consumed amount of morphine was increased by the smoking of *chandu*. Higher amounts of morphine on the other hand lead to a more prevalent craving for the drug and a higher probability of physical addiction.

Another factor is posed by the suggestion that consumption habits changed due to restrictive policies. The first anti-opium edict in 1729 had only banned the opium that had allegedly been prepared for smoking but did not ban any other form of opium. In consequence, the buying of *madak*, which was clearly intended for smoking, became more dangerous than the buying of pure opium, which made it more attractive for customers to buy their opium pure.⁵⁶

As opium initially was smoked by the upper classes, there is evidence that opium became a marker of social status, leading to a shift in demand towards the more expensive Indian Patna opium instead of the coarse Malwa, which was controlled by the Portuguese. Unlike Malwa, Patna is said to have been mild in flavor and of superior quality, making it a more suitable choice for smoking without the addition of tobacco.⁵⁷ The steps in the changing of consumption patterns from indigestion to smoking, and further from *madak* to *chandu* each were related to an increasing supply and therefore increasing imports of opium. Nevertheless, it was not until the early 19th century that the drug’s import reached alarming heights.

⁵¹ Joyce A. Madancy, *The Troublesome Legacy of Commissioner Lin: The Opium Trade and Opium Suppression in Fujian Province, 1820s to 1920s* (Harvard University Asia Center, 2003), p. 81.

⁵² Jonathan D. Spence, *Chinese Roundabout: Essays in History and Culture* (New York: W. W. Norton & Company, 1993), p. 233.

⁵³ Spence, p. 233.

⁵⁴ Dikötter, Xun, and Laamann, *Narcotic Culture*, p. 84.

⁵⁵ Man-Houng Lin, ‘Late Qing Perceptions of Native Opium’, *Harvard Journal of Asiatic Studies*, 64.1 (2004), 117–44 (p. 128).

⁵⁶ Dikötter, Xun, and Laamann, *Narcotic Culture*, pp. 38–39.

⁵⁷ Dikötter, Xun, and Laamann, *Narcotic Culture*, pp. 38–39.

1.5 A flood of cheap opium – an outflow of cheap silver?

“Though difficult to prove beyond question, it seems likely that without opium, there would have been no empire.”⁵⁸

These words were written by Carl Trocki in 1999 in his work “Opium, Empire and the Global Political Economy. Indeed, British imperialism and colonialism were major factors in the advancement of the opium trade – and the opium trade was what facilitated British imperialism. The changing of opium consumption habits in China and the increase of consumption as such went hand in hand with increasing imports from British India in the late 18th and early 19th century. Opium was used to buy pay for Chinese goods such as tea and to cover the costs of imperial expansion.⁵⁹

The Dutch were the first Europeans to actively participate in the East Asian opium trade at the very beginning of the 17th century, followed by the Portuguese.⁶⁰ It was not until the 18th century that European participation in the trade became truly relevant in economic terms, which was mostly a reaction to a crisis of international trade.⁶¹ Especially from the late 18th century onwards, opium trade was consciously fostered by Great Britain to compensate for the British East India Company’s negative balance of trade with China. British policy together with increasing competition in the opium trade at the beginning of the 19th century led to such an increase in quantities traded, that opium became affordable “down from the imperial household to the poor rickshaw puller”.⁶²

Up until the end of the First Opium War, trade with foreigners inside of China had been subdued to strict regulations by the imperial court. From 1716 onwards, Canton had been the most important location for the trade with China for the East India Company. Only four years later, the Chinese Cohong asserted themselves as leading merchant guild of the city. The state, in its attempt to exert control over the country’s trade, adapted to the existing trade structures and in 1757 officially restricted foreign trade to the city of Canton (Guangzhou) under the monopoly of the Cohong.⁶³

⁵⁸ Trocki, p. 59.

⁵⁹ Bauer, p. 37.

⁶⁰ Frank Dikötter, Zhou Xun, and Lars Laamann, *Narcotic Culture: A History of Drugs in China* (London: C. Hurst & Co., 2016), p. 19.

⁶¹ Kenneth Pomeranz and Steven Topik, *The World That Trade Created: Society, Culture and the World Economy, 1400 to the Present* (Sharpe, M. E. Inc., 1999), p. 103.

⁶² Dikötter, Xun, and Laamann, *Narcotic Culture*, p. 40.

⁶³ Michael Dillon, *China: A Modern History* (London; New York: I.B. Tauris, 2010), p. 34.

The focus of the East India Company on Canton and the trade in opium was fostered by two closely related aspects: the British-Dutch rivalry in Asian trade and the increasing demand for tea in Great Britain. While the Dutch had initially been the dominant power in the opium trade, they had focused on the Southeast Asian rather than on the Chinese market and soon were surpassed by the British. The origin of this development lies already in the year 1623, in what is today known as the Amboyna incident: twenty men that had been associated with the British East India Company were executed for treason. This meant the end of British-Dutch cooperation in the region and consequently, Great Britain placed its focus on the Indian subcontinent where it maintained factories in Calcutta, Madras and Bombay. In 1713, the British East India Company was the first European power to install a trade post in Canton and started to engage in the trade of tea and later opium, while the Dutch only followed in 1729.⁶⁴ With the victories in the battles of Plassey in 1757 and Buxar in 1764, the EIC gained effective control over Bengal, Bihar and Orissa, and thus over major opium producing regions.⁶⁵

British colonialism in India provided Great Britain with the financial means to become independent from Dutch money lenders. In fact, the country was so successful that it was able to enter the Napoleonic Wars (1792-1812) with almost no net debt.⁶⁶ As a study by Javier Cuenca Esteban suggests, the British balance of payment was basically kept in check through imports of capital and goods from India.⁶⁷ And opium played a big role in enabling these capital transfers. During the 18th century, British imports of tea had been steadily on the rise and caused a drain of silver in the motherland. The opium trade compensated for these increasing deficits, that partly stemmed from the East India Company's purchases of Chinese tea. Between 1761 and 1833, "over 90 per cent of the Company's investment in China was payment for tea".⁶⁸ In total numbers, this meant that tea imports accounted for 2.5 million pounds in 1760 and rose up to 23 million pounds by the end of the 18th century.⁶⁹

European trade participation until the beginning of the 19th century was mainly based on one pillar: the exchange of American silver for Asian goods. From the 16th to the 18th century, the

⁶⁴ Dikötter, Xun, and Laamann, *Narcotic Culture*, p. 11; Trocki, pp. 37–39.

⁶⁵ Gregory Blue, 'Opium for China. The British Connection.', in *Opium Regimes: China, Britain, and Japan, 1839-1952*, ed. by Timothy Brook and Bob Tadashi Wakabayashi (University of California Press, 2000), p. 32.

⁶⁶ P. J. Cain and A. G. Hopkins, 'The Political Economy of British Expansion Overseas, 1750–1914', *The Economic History Review*, 33.4 (1980), 463–90 (p. 471); Arrighi and Silver, p. 62.

⁶⁷ Javier Cuenca Esteban, 'The British Balance of Payments, 1772-1820: India Transfers and War Finance', *The Economic History Review*, 54.1 (2001), 58–86.

⁶⁸ Bauer, p. 40.

⁶⁹ Dennis Owen Flynn and Arturo Giraldez, 'Cycles of Silver: Global Economic Unity through the Mid-Eighteenth Century', *Journal of World History*, 13.2 (2002), 391–427 (pp. 411–12).

ratio of the value of silver to gold had always been higher in Europe than in India or China. In the 16th century, for example, the gold-silver ratio had been 1:11-12 in Europe, compared to 1:6 in China and 1:8 in India.⁷⁰ As a result, the buying of Asian goods was cheap for Europeans, who could, with a given amount of silver, buy more goods in Asia than they could have bought using the same amount in Europe. According to a report of Alexander von Humboldt, at that time 43 million silver pesos were imported into Europe at the end of the 18th century, of which only 18 million remained inside Europe, since the rest was mainly exported to China and India, and to a smaller part to the Middle East and Russia.⁷¹

Global silver prices, however, were dependent on developments in Europe and South America. During the Napoleonic Wars, the demand for loans to finance the excessive costs of war was rising, but at the same time during the French conquest of Spain and Portugal more and more South American colonies developed independent governments, the so-called Juntas.⁷² The following wave of wars of independence supported a global shortage of silver, which made the metal increasingly expensive for European powers relative to the price of gold. This eliminated the old price advantages of bringing silver to China, hence it became a major goal for the British to replace the silver used in the trade with China with opium which was readily available in India.⁷³

The British government started pressuring the EIC to compensate for its losses: This was on one hand done via the Regulating Act of 1773, which marked the beginning of a slow takeover process of the Company's affairs by the British state. On the other hand, the country in 1785 reduced the duty on tea, which increased the Company's financial burden.⁷⁴ The Company followed this pressure and during the American Revolution in 1781 took over the purchasing of opium in the Indian territory. In 1793 it further enhanced the monopoly on sales to cover production as well.⁷⁵

And the measures were successful. During the first half of the eighteenth century, silver had been the biggest export of Great Britain to China, accounting for about 90 percent of its exported value. When the exports of silver started being replaced by exports of opium, between

⁷⁰ Carlos Marichal, 'The Spanish-American Silver Peso: Export Commodity and Global Money of the Ancien Regime, 1550–1800', in *From Silver to Cocaine*, ed. by Steven Topik, Carlos Marichal, and Zephyr Frank (Duke University Press, 2006), pp. 25–52 (p. 40).

⁷¹ Marichal, p. 39.

⁷² Karl Vocelka, *Geschichte der Neuzeit: 1500-1918*, 1. (Wien: UTB, 2010), p. 552.

⁷³ Dikötter, Xun, and Laamann, *Narcotic Culture*, pp. 43–44.

⁷⁴ Dikötter, Xun, and Laamann, *Narcotic Culture*, p. 23.

⁷⁵ Blue, pp. 32–33.

1775 and 1795 the share of silver decreased to 65 percent.⁷⁶ In the same period, the amount of traded opium quadrupled, rising from 1.000 to 4.000 chests between 1773 and 1790, and even twenty-folded if the observed time span is widened to the period of 1729 to 1800.⁷⁷ Notwithstanding the fact that opium imports had been rendered illegal by the Chinese state in 1800, exports to China further exploded at the beginning of the 19th century. To evade the ban, the Bengal opium was sold at auctions in Calcutta to so called “country traders”, private merchants who would smuggle the opium to China under the secret instructions of the EIC. Instead of paying duties they would pay bribery, which was possible due to widespread corruption among Qing officials.⁷⁸ The number of exported chests ten-folded between 1800 and 1838, increasing from 4.000 to 40.000, advancing the outflow of silver from China and supporting a deflationary economic crisis.⁷⁹

What caused this explosion in trade between after 1800? The change of consumption habits inside China from ingestion to smoking, and then from the smoking of *madak* to the smoking of *chandu*, had incited a first increase in demand for high quality Patna opium which was in the hands of British who increasingly penetrated the coast line between 1797 to 1820.⁸⁰ Then, when in 1813 the East India Company’s monopoly on opium trade was abolished, the entrance of new companies into the market was enabled. Over the following three decades, American traders were using Turkish opium to compete with British traders.⁸¹ They could make use of the invention of “clippers”, a new kind of fast and small trading ships that were able to reduce the time needed to cross the oceans by more than half. For example, the Rainbow, a clipper that was built in 1845, reduced the amount of days needed for crossing the Pacific from 175 to mere 80 days.⁸² As a consequence, the EIC tried to increase its exports and lower its prices in order to outrival their opponents.⁸³ When the EIC’s monopoly over Indian trade was abolished in 1833, new British merchants entered the competition as well, leading to an unprecedented rise in the trade between 1833 and 1838.⁸⁴ Opium cultivators in Malwa were competitors as well, since they were not under direct control of the British. The price war between the free opium

⁷⁶ Flynn and Giraldez, pp. 411–12.

⁷⁷ Spence, p. 233; Pomeranz and Topik, p. 103.

⁷⁸ Blue, pp. 33–34.

⁷⁹ Sabine Dabringhaus, *Geschichte Chinas 1279-1949* (München: Oldenbourg Wissenschaftsverlag, 2006), pp. 54–56.

⁸⁰ Dikötter, Xun, and Laamann, *Narcotic Culture*, pp. 34–35.

⁸¹ David T. Courtwright, *Forces of Habit: Drugs and the Making of the Modern World* (Cambridge, Mass.: Harvard University Press, 2002), p. 34.

⁸² Hamashita, p. 126.

⁸³ Blue, p. 33.

⁸⁴ Blue, p. 34.

cultivators in Malwa and controlled opium from Patna, together with increasing foreign competition, led to a price collapse in the 1820s which in turn led to further exports and efforts to control Malwa opium, which was done via transit taxes.⁸⁵

On the Chinese side, the government's efforts to prevent illegal opium trade resulted in the restriction of trade to Lingding (Lintin) Island in 1821, which was more than 125 km off the coast. In effect, this put the trade outside the reach of effective government control and facilitated the contraband via opium clippers in the 1830s.⁸⁶ When the EIC's opium monopoly was abolished by the British, the already stressed diplomatic relationship between British and Chinese officials further tensed. For Chinese officials it was more logical and practical to have an official contact person, rather than dealing with many individual traders. After all, European traders were seen as being part of the Chinese tributary system and were expected to follow the rules of this system.⁸⁷

As the smuggling of opium increased, discussions on how to handle the issue became more and more intense at the imperial court. Already in 1729, the sale of *madak* had been illegalized and was followed by a ban of opium imports in 1800. It was, however, not until the 1820s and 1830s that opium was increasingly perceived as a threat to economic and political stability. In the first half of the 19th century concerns were foremost about the economic consequences of the trade.⁸⁸ As Bello writes, "opium was not considered a major problem until the court decided that the traffic was directly connected to the outflow of silver".⁸⁹ While the silver-copper exchange rate in China had been one tael for 700 copper coins in the Qianlong period (1736-1795), the rate increased to 1,300-1,400 copper coins in the Jiaqing period (1796-1820).⁹⁰ Since the Single Whip Tax Reform of the 1570s, taxes had to be paid in silver, daily errands however were still paid with copper cash. An increase of real taxes for the Chinese population was the inevitable result and encouraged economic hardship for the people and social unrest, which was a threat to the empire's stability.

Different positions emerged at the Qing court regarding the reason for the increasing outflow of silver. According to Hamashita there were two main arguments: 1) the outflow of silver was solely caused by opium imports, 2) an unfair exchange of foreign silver coins for more valuable

⁸⁵ Dikötter, Xun, and Laamann, *Narcotic Culture*, p. 23.

⁸⁶ Dikötter, Xun, and Laamann, *Narcotic Culture*, p. 41.

⁸⁷ Hamashita, p. 13.

⁸⁸ Lin, p. 118.

⁸⁹ David Bello, 'The Venomous Course of Southwestern Opium: Qing Prohibition in Yunnan, Sichuan, and Guizhou in the Early Nineteenth Century', *The Journal of Asian Studies*, 62.4 (2003), 1109–42 (p. 1113).

⁹⁰ Immanuel C. Y. Hsü, *The Rise of Modern China*, 6. A. (New York: Oxford University Press, 2004), p. 125.

Chinese *sycee* coins was to blame. The first argument was, for example, proposed by Huang Juezi, director of the Court of State, in a written note in 1838, in which he assumed that the outflow of silver was equivalent to the bought amount of opium. Problematic about his argument, however, was the fact that he did not counterweight the amount of silver that was *imported* into China. Not all exports of tea and silk were paid for in opium: a large amount was still paid for in silver and the importance of bills of exchange, or “drafts” increased – a point which I will address later.⁹¹

The second argument was, that it was not so much the buying of opium that caused the rapid outflow of silver, but rather the speculation of foreigners with Chinese *sycee* coins. The *sycee* was the traditional coin that had been produced by individual smiths in the shape of a hoof since the Qin era and would stay in use until the end of the Qing dynasty. It usually had a higher purity of silver at the same weight, which led to disparities in foreign exchange. Hamashita describes the example of the British firm Bell & Company, which bought Carlos dollars outside of China, and sold them at Canton with a premium of 14 to 15 percent. At the same time they bought Mexican and South American dollars in Canton which were 6 to 7 percent cheaper, and reaped profits of about 20 percent of the initial investment. However, the more companies engaged in this kind of speculation, the more the *sycee* would rise in its price, thus reducing the margin of profit and the incentive to engage in this kind of business.⁹²

In fact, more and more of Chinese foreign trade was paid with bills of exchanges (drafts) and then barter, instead of using bullion. In the 1830s, American traders started using drafts drawn on the money market of London to settle business with Chinese. British merchants on the other hand would use the money they earned through the selling of opium to buy American drafts and either reinvest the profits in China or remit them to England. In 1836 the Bank of England stopped accepting American drafts and in 1837 a financial panic hit the Manchester cotton industry, while there was virtually no opium trade between 1838 and 1842 due to the opium wars. In the mid-1840s, a modern form of barter appeared in which mainly cotton goods, tea and opium were exchanged for each other. The use of drafts as well as the use of barter according to Hamashita then fostered the establishment of foreign bank offices in China, which provided the necessary funds for these transactions, like for storage facilities and infrastructure.⁹³

⁹¹ Hamashita, pp. 115–16.

⁹² Hamashita, p. 119.

⁹³ Hamashita, pp. 124–26, 138–43.

Opium was the commodity that linked the triangular trade in goods between Great Britain, India and China to the “trilateral trade relationship among the United States, England, and China” which was “buttressed by the international finance and credit network, whose center was the money market of London.”⁹⁴ In other words, trade in China was more and more integrated into the international monetary system. After the Second Opium War and during the 1860s the Chinese monetary market was completely subdued to British financial hegemony, while British bank branch offices would surface all over the country.⁹⁵ Although it is still debated how and if opium was responsible for the outflow of silver and the recession in China, in my opinion it is clear that, as a commodity, opium played a major role in the integration of Chinese markets into the financial sphere of the capitalist world system.

By the 1830s, the government had become aware of opium as a “transprovincial, multifaceted problem no longer limited to the southwestern coast.”⁹⁶ In the internal debates on how to handle the opium trade on a practical level, arguments were made for the legalization of the trade together with its integration into the Chinese economy and the levying of heavy duties. In the internal debates at the Chinese court in the 1830s, proponents could not prevail against the influence of the political network of opium opponents who lobbied for strict prohibition. As Dikötter points out, the debates about opium were deeply interwoven with ongoing inner struggles in the Qing court and tensions between Han officials and Manchu aristocrats. Anti-opium sentiments allowed Han officials to challenge the dominant position of the Manchu court aristocracy.⁹⁷ An assembly of conservative anti-opium Han officials, known as “Group for Cleansing in Spring”, had met annually since 1829 and finally managed to have a supporter of their faction, Pan Shien, called into the Great Council to represent their agenda. In this position he was able to put other members of the group into various bureaucracy key positions, thereby enhancing their influence.⁹⁸

Not only foreign opium was addressed by officials but the early sprouts of domestic cultivation of opium as well. Since the 1810s more and more cases of illicit domestic cultivation and selling of opium came to be known by the government, so in 1831 “cultivation was recategorized from an incidental violation of the general statutes governing the proper use of uncultivated land to

⁹⁴ Hamashita, p. 126.

⁹⁵ Hamashita, p. 126.

⁹⁶ Bello, ‘The Venomous Course of Southwestern Opium’, p. 1113.

⁹⁷ Dikötter, Xun, and Laamann, *Narcotic Culture*, p. 44.

⁹⁸ Thoralf Klein, *Geschichte Chinas: Von 1800 bis zur Gegenwart*, 2., durchgesehene Aufl. (UTB, Stuttgart, 2009), pp. 112–13.

a serious drug offense.”⁹⁹ When in 1836 the proponents of opium trade wanted to legalize and integrate opium into the existing Canton trade system, supporters of the Cleansing of Spring group convinced the Daoguang Emperor that a strict enforcement of prohibition law against foreign and domestic opium was the best measure to prevent the outflow of silver. One of the most prominent members of this group was Qing official and provincial governor Lin Zexu, who would attain a prominent role in the prelude of the First Opium War.¹⁰⁰

When the emperor then sent Lin to Canton to enforce the prohibition law, the conflict escalated. In early 1839, Commissioner Lin had 20,000 chests of opium, worth 3.5 million British Pounds, confiscated and dumped into the sea. As a response, British canon boats invaded the Chinese coast, heralding the beginning of the First Opium War lasting from 1839 to 1842.¹⁰¹ The following Treaty of Nanjing resulted in the opening of five treaty ports, the secession of Hong Kong to the British, and the fixation of a five percent tariff on imported goods. The trade in opium, though, was to remain illegal until 1858, when the Arrow Incident led to the Second Opium War. With the treaties of Tianjin in 1858 and the Convention of Beijing in 1860 the Qing had to accept the opening of another eleven ports as well as the cession of Kowloon, and foreigners and missionaries receiving increased rights on the Chinese mainland such as extra-territoriality and the freedom of travel.¹⁰²

2. Opium in the Late Qing Era

In the second half of the 19th century, British-Indian opium imports into China steadily grew until the 1880s but started losing importance by the end of the century. In the latter half of the 19th century, the Qing state went through a process of political and economic decentralization going hand in hand with growing domestic production. The period of 1874 to 1905 saw an increasingly relaxing policy towards domestic opium cultivation, and provincial governors used opium taxes to finance reconstruction and modernization projects. After the defeats in the Sino-Japanese War and the Boxer Rebellion, Qing authorities aimed for a recentralization of power and tried once again to execute a strict anti-opium policy.

⁹⁹ Bello, ‘The Venomous Course of Southwestern Opium’, pp. 166–67.

¹⁰⁰ Klein, pp. 112–13.

¹⁰¹ Pomeranz and Topik, p. 100.

¹⁰² Dabringhaus, pp. 57–59; Klein, pp. 36–37.

2.1 A Period of crisis

The outflow of silver and the meddling of Great Britain into Chinese affairs during the First Opium War put a strain on the Chinese economy. Historically, the Chinese state's defense efforts had been focused on the northern borders due to conflicts with northern tribes. Therefore, political power was more effective in the northern regions. Not only was the capital in the north (Beijing literally means “northern capital”) but the number of counties was larger as well, even though population numbers were much larger in the south.¹⁰³ Therefore, the empire was especially vulnerable to attacks from the south via the sea, as it was the case during the Opium Wars. It did not help that the 1830s were also a period of increasing environmental strain in the Chinese agriculture. Volcanic eruptions led to “earth cooling and reduced rice yields”, for example in the province of Lingnan (today's Guangdong, Guangxi, Hunan and Jiangxi). These low temperatures continued well into the 1840s and recovered only in the second half of 19th century, while floods and famines ravaged the southern regions from 1846 to 1848.¹⁰⁴

By the middle of the 19th century several popular rebellions had broken out, which not only put a severe strain on the government's ability to put them down, but indirectly shaped the future of the opium economy in the country. Among them were the Nian rebellion in the northeast and several Muslim uprisings in the northwest and southwest; but the biggest threat posed the Taiping Rebellion in the south, the region that had been hit hardest by the Opium Wars and the following recession. The Taiping Rebellion resulted in a devastating civil war that lasted from 1850 to 1864 and the death of at least 20 million people. The Taiping were a syncretic movement that combined social and evangelical Christian values with anti-Manchu nationalism while following a strict anti-opium policy. They had originated in the Hakka population of whom a substantial part had been involved in the opium traffic before the Opium Wars, and of whom many people suffered from the economic crisis that emerged in the South of China after the diversion of trade away from the south. The abandonment of the Canton Trade System after the First Opium War in 1842, together with the following redirection of opium trade to the treaty ports, supported the widespread unemployment in the South among craftsmen, porters, boatmen and other laborers, as it redirected profits to other areas. Soon Shanghai replaced Canton as China's central market for foreign goods.¹⁰⁵ Guangxi, the province in which the Taiping movement emerged, was counted among the poorest of the empire, and was ravaged by

¹⁰³ Koyama, Moriguchi, and Sng, p. 187.

¹⁰⁴ André Gunder Frank and Robert A. Denemark, *Reorienting the 19th Century: Global Economy in the Continuing Asian Age* (London, New York: Routledge, 2016), p. 137.

¹⁰⁵ Hamashita, p. 139.

droughts and floods between 1848 and 1850, only shortly before the outbreak of the rebellions.¹⁰⁶

The conflicts of the mid-century caused several structural changes not unimportant for the further development of opium trade and cultivation in late Qing China. For one, the military confrontation had led to a re-regionalization of power. The Qing government, not being able to recruit sufficient military forces on its own, heavily relied on provincial governors, such as Zeng Guofan, Zuo Zongtang, Zhang Zhidong and Li Hongzhang, who could improve their position of power by defeating the rebellious groups with their private armies.¹⁰⁷ The same governors would subsequently participate most dedicatedly in the Self-Strengthening program, aiming at the modernization of Chinese military and economy. Especially the role of governor and later superintendent of trade, Li Hongzhang, should be emphasized, who strongly argued in favor of opium taxation to finance the country's modernization.

Another consequence of the mid-century chaos was the vast devastation of broad landscapes, reducing the population and destroying crops. While the area of cultivated land shrank, the pressure on provincial governments grew, to cover the costs of war with the new sources of revenue. This led to increasingly lush policies on the provincial and local level when it came to the taxing of opium transit via the *lijin* tax, or the prevention of domestic opium production.¹⁰⁸ The population of the most affected provinces Hubei, Jiangxi, Anhui, Zhejiang and Jiangsu hardly reached their original number until 1933, though migration streams set in from denser populated areas, helping to reduce the man-land ratio.¹⁰⁹ The ratio has been estimated to have been 1 person per 2.8 mu in 1851 and rising to 1 person per 3.5 mu in 1871 (under the assumption that the cultivated area remained the same).¹¹⁰ This development was further supported by the growing emigration of Chinese coolies to Southeast Asia and other parts of the world that alleviated population pressure. Pomeranz and Topik indicate, that the remittances of these hardworking laborers played a role as well, when the outflow of silver was reversed during the 1860s.¹¹¹

¹⁰⁶ Dillon, pp. 67–68.

¹⁰⁷ Klein, p. 39.

¹⁰⁸ Spence, p. 252.

¹⁰⁹ Philip Richardson, *Economic Change in China, c.1800–1950* (Cambridge: Cambridge University Press, 1999), p. 74; Albert Feuerwerker, 'Economic Trends in the Late Ch'ing Empire, 1870–1911', in *The Cambridge History of China, Vol. 11: Late Ch'ing, 1800–1911, Part 2*, ed. by John K. Fairbank and Kwang-Ching Liu (Cambridge University Press, 1980), pp. 1–69 (p. 6).

¹¹⁰ Richardson, p. 74.

¹¹¹ Pomeranz and Topik, p. 105.

2.2 Indian imports after 1860

In the course of the Second Opium War (1856-1860), opium imports were finally legalized in 1858. In the short run, this led to a drastic increase of opium imports in China and a sudden boom in Indian cultivation, as Rolf Bauer observes. Additionally, a first upsurge of domestic opium cultivation in China during the Taiping rebellion (1850-1864) alarmed Indian authorities. The Indian government reacted by raising the prices for the opium they bought from peasants from 3.5 rupees in 1859/60 to 5 rupees in 1861/62 to incite peasants' motivation for more production. The acreage in Bengal that was cultivated with opium followingly doubled from 435,000 bighas to 808,000 bighas between the poppy growing seasons of 1860/61 and 1863/64, and stabilized around this number for the rest of the century.¹¹² Prices per chest of opium between 1860 and 1865 fell from \$700 per chest to \$415 and after 1865 stabilized at 600\$ per chest for the next 40 years.¹¹³ Indian revenues acquired through opium had been at 26.5 million rupees in the 1822/23 season and rose to 104.8 million rupees in the 1880/81 season. After that, revenue decreased for the next 20 years and only rose again for a short time around 1905 when the oncoming Sino-British Treaty, that was supposed to end the trade, caused an upsurge in prices.¹¹⁴ In the long run, a statistical analysis of the growth patterns of trade before and after 1858 undertaken by Miron and Feige suggests that growth rates were only minimally influenced by legalization, as prohibition efforts even before the Opium Wars had been largely unsuccessful.¹¹⁵ Instead, opium imports had uninterruptedly been on a steady rise since the early 1820's, climbing from 40,000 chests in 1838 to around 60,000 in the 1860's, reaching their peak in 1879 when reaching almost 83,000 chests.¹¹⁶ They declined to around 50,000 in the late 1890s and ceased in 1913 due to a Sino-British treaty.¹¹⁷

Looking at the numbers from the Chinese side, in 1870 opium accounted for a share of 37 percent of import value, followed by cotton with a share of about 30 percent. At the same time, tea and silk accounted for about 70 percent of all export value. During the early 1870s the importance of Indian opium imports to China started to decline when domestic production grew, and Chinese opium consumption became rather self-sufficient. While Patna, Benares and Malwa opium maintained large market shares throughout the 19th century, imports declined

¹¹² Bauer, pp. 25–26.

¹¹³ Trocki, p. 111.

¹¹⁴ Bauer, p. 35.

¹¹⁵ Jeffrey Miron and Chris Feige, *The Opium Wars, Opium Legalization, and Opium Consumption in China* (Cambridge, MA: National Bureau of Economic Research, May 2005).

¹¹⁶ Madancy, p. 55.

¹¹⁷ Dikötter, Xun, and Laamann, *Narcotic Culture*, p. 43.

from the 1890's onwards, being replaced by larger and larger shares of domestically cultivated opium.¹¹⁸

Nevertheless, in the period from 1873 to 1893, at average 1.3 million Indian peasants were registered under the opium monopoly for cultivating poppy in Northern India to satisfy British demand for tea and silk and Chinese demand for opium. Bauer points out that this number was likely much higher, since only one male head of each household was taken into account by the authorities, while the average household had seven members. He shows that for example in Bihar, where only 700,000 people were registered as growing poppy, in fact up to 4.9 million people lived in these households, which accounts for a share of 54 percent of Bihar's population. It is safe to assume that, except for very small children and maybe the sick and elderly, all members of a household would have been involved in the cultivation.¹¹⁹ This points to the vast extent to which the Indian peasantry was involved in poppy cultivation for the British and Chinese Empires.

The global Great Depression of 1873-96 led to worldwide severe deflation. Gold prices of silver and therefore prices of most commodities crashed, which made it less attractive to export them¹²⁰ and probably also took a toll on the Indian opium industry. Bauer shows that in the five years from the season of 1887/88 until 1891/92, "the [cash] advances [that Indian peasants received from the Opium Department] clearly exceeded the value of the poppy harvest, leaving the peasants with a negative balance" which led to the peasants ending "the poppy season with a debt to the Opium Department in each of these five years."¹²¹ According to Hans van de Ven, the 1880s were a turning point for the economic development in China: Chinese exports of tea and silk became less profitable, while exports of manufactured goods like textiles, chemicals and kerosene became more expensive. This led to a change in the patterns of Chinese production and put a disadvantage on the manufacturing industry in China.¹²² Even Chinese exports of tea – the good that had been initially the reason for most of the opium trade – fell into oblivion until 1920, while British tea demand was increasingly satisfied with tea cultivated in India.¹²³

¹¹⁸ Trocki, pp. 118–19.

¹¹⁹ Bauer, pp. 132–33.

¹²⁰ Arrighi and Silver, p. 64.

¹²¹ Bauer, p. 167.

¹²² Hans van de Ven, *Breaking with the Past: The Maritime Customs Service and the Global Origins of Modernity in China* (Columbia University Press, 2014), pp. 14, 104.

¹²³ Wolfgang Keller, Ben Li, and Carol H. Shiue, 'China's Foreign Trade: Perspectives from the Past 150 Years', *The World Economy*, 34.6 (2011), 853–92 (pp. 869–70).

2.3 Trade networks

During the late 1840s and 1850s, a system of barter trade between American, British and Chinese merchants regulated the exchange of opium for tea and silk. One of the biggest British companies that was involved was Jardine & Matheson's. In the late 1840s, Chinese merchants would pay local silk merchants to deliver silk to the Jardine & Matheson's trading house, from where the company would bring the goods to dealers in Wusong in Northern Shanghai, where it then was exchanged for opium. In the 1850s, more and more opium was directly delivered from Shanghai to Suzhou as a means of payment for silk.¹²⁴ Slowly, Shanghai started taking over Canton's place as China's trade center diverting more and more funds to its trading houses.¹²⁵ According to Trocki, the legalization of opium marked the "beginning of the end for the Indian opium trade"¹²⁶, since it opened up new possibilities for Jewish, Armenian, and Chinese traders. This may be exemplified by the fact that Jardine & Matheson's had to withdraw from the Chinese opium markets by 1871, as their share was overtaken by other firms such as the Jewish David Sassoon & Co. that originated in Baghdad and had come to Bombay in 1832.¹²⁷

Direct access to the final consumers was largely denied to foreign importers. They were dependent on Chinese merchants who knew the local language, culture and customs, and were already part of existing networks that were arranged according to residence, kinship or political patronage.¹²⁸ In the first half of the 19th century, especially southern Chinese merchants from Canton played an important role in the trade. They bought the goods at the coast from foreign ships and transported them over the three major waterways of the Pearl River system - the East, North and West rivers (*Dong, Bei, Xi*) – from the south coast to central China.¹²⁹ Spence describes the development of a three-tiered, Chinese dominated hierarchical system in the latter half of the 19th century, comprising of wholesalers at the top, large-scale retailers as intermediaries, and local sellers at the bottom. The big wholesalers would buy Indian opium from foreigners as well as opium from domestic production, forming large syndicates and being able to negotiate with officials. They would then sell the opium to large-scale retailers who maintained local shops and belonged to local opium guilds but also took part in the refining process of raw

¹²⁴ Yen-p'ing Hao, *The Commercial Revolution in Nineteenth-Century China: The Rise of Sino-Western Mercantile Capitalism*, First Edition edition (Berkeley: University of California Press, 1986), p. 60.

¹²⁵ Hamashita, p. 139.

¹²⁶ Trocki, p. 118.

¹²⁷ Trocki, pp. 109–36.

¹²⁸ Arrighi and others, p. 295.

¹²⁹ Zheng, pp. 67–68.

opium and the following selling of *chandou*. Street vendors and opium dens would then constitute the last of the three tiers, buying their supply from the large-scale retailers.¹³⁰

Hankou, a city with a long history as important center of commerce located at the Yangzi river, emerged in the 1830s to be an important base for the business of Canton opium merchants.¹³¹ It continued to be a crucial reloading point up until the first half of the 20th century. In Shanghai, opium wholesale, long-distance transport and retail were partly monopolized by the commercial guilds of Guangdong and Fujian from the 1820s onwards.¹³² Most of the merchants in these guilds, however, came originally from Canton and Shantou. The opening of the first treaty ports had enabled an expansion of trading networks and southern merchants managed to overtake the trade. In consequence, by 1852 the Cantonese merchant guild in Shanghai was counting 80,000 members.¹³³ Shanghai, initially being only a city of mediocre importance, grew to become not only a lively commercial center, but one of the most important destinations for opium trade. By 1849, it received half of all foreign opium imports, which could then be distributed via the Yangzi river to provinces such as Jiangsu, Anhui, Hubei, Sichuan, Jiangxi, Hunan and Shaanxi. The share of foreign ships in Canton's ports, on the other hand, sank down to mere 27 percent between 1844 and 1855. Another reason for the demise of Canton's trade was the rise of Hong Kong, after its takeover by the British in 1841, which was far better suitable for the berthing of heavy loaded ships.¹³⁴

Opium was not only used as a commercial good but fulfilled other economic functions as well. Spence distinguishes three of them, namely opium as a substitute for cash, opium as a means of tax payment, and opium as a source of revenue for financing the Self-Strengthening movement – a light modernization program that had been fostered by provincial governors after a period of civil warfare.¹³⁵ Especially for provinces that were far away from the economic centers of the country or areas that were cut off through mountains the transport of opium was more lucrative than any other crop and even cash: For most if not all periods, opium that was ready-made for consumption was more worth than the same weight in coins and compensated merchants for the long and exhaustive journeys to the Chinese hinterlands. There are reports of opium having been transported from Guangdong to Anhui, with one liang of opium (37 grams)

¹³⁰ Spence, p. 248.

¹³¹ Xavier Paulès, *L'opium: Une passion chinoise* (Paris: Payot, 2011), p. 113.

¹³² Zheng, pp. 67–68.

¹³³ Paulès, *L'opium*, p. 113.

¹³⁴ Paulès, *L'opium*, pp. 114–15.

¹³⁵ Spence, p. 251.

equaling the value of 63 kilogram of rice in that time.¹³⁶ These might be just a few of the many reason why domestic cultivation in the second half of the 19th century drastically increased.

2.4 Domestic production

Poppy cultivation in China had a long history – in the province of Guizhou, for example, earliest reports date its cultivation back as early as 1638.¹³⁷ It was, however, not until the 19th century that its trade became commercially relevant and by the end of the century would spread all over the country. In some provinces, cultivation started earlier than in others. For example in Yunnan, commercial production was present by the beginning of the 19th century, while in Manchuria, its cultivation was recorded only by the 1860s, but became one of its top three agricultural products by the end of the Qing period.¹³⁸ Bello suggests that already at the beginning of the nineteenth century some areas had developed a financial dependence on the selling and taxing of opium and incited governmental prohibition campaigns against domestic opium as early as the 1810s.¹³⁹ As stated in an imperial decree of 1813 by the Jiaqing Emperor, four governors in south China had been found to use domestically grown opium for revenue by illegally collecting taxes from its traffic.¹⁴⁰ Bello maintains, that this development was fostered by the territorial expansions of the 18th century which were accompanied by increasing centralization of revenue and therefore left provincial governors with deficits in their budgets, opium traffic being a “superlative informal network of local funding.”¹⁴¹ By 1836, domestic opium production was known by imperial officials to exist in Guangdong, Fujian, Zhejiang and Yunnan.¹⁴² According to a memo from the governor-general of Yunnan and Guizhou of December 20, 1838, opium cultivation in Yunnan was supposedly ten times bigger than the cultivation of grain.¹⁴³ Though this number might be doubtful, it is an indicator for the growing importance of cultivation in that area. In the 1840s domestic production was reported to have spread to Guanxi, Hunan and Hubei, its production in Guangdong being estimated between 8,000 to 10,000 chests in 1847.¹⁴⁴

¹³⁶ Paulès, *L'opium*, p. 101.

¹³⁷ Paulès, *L'opium*, p. 101.

¹³⁸ Norman Smith, *Intoxicating Manchuria: alcohol, opium, and culture in China's northeast* (Vancouver: UBC Press, 2012), p. 22; Bello, ‘The Venomous Course of Southwestern Opium’, p. 1113.

¹³⁹ David Bello, *Opium and the Limits of Empire: Drug Prohibition in the Chinese Interior, 1729-1850*, 1st edn (Cambridge: Harvard University Press, 2005), pp. 166–76.

¹⁴⁰ Bello, ‘The Venomous Course of Southwestern Opium’, p. 1113.

¹⁴¹ Bello, ‘The Venomous Course of Southwestern Opium’, p. 1135.

¹⁴² Spence, p. 236.

¹⁴³ Paulès, *L'opium*, pp. 101–2.

¹⁴⁴ Spence, p. 236.

Opium cultivation adopted to the natural and climatic circumstances of the provinces. It demanded a warm climate and lots of water, therefore cultivation was largest in the rice and tea growing provinces of southwestern China, like Yunnan, Guizhou and Sichuan. The southwestern regions were dominated by mountainous lands. Not much could be grown on the rather infertile hill slopes, but poppy could. Like in India, the warm climate allowed for cultivation during the winter months, thus the seeds would be sown in November, while harvest took place in April/May. The plants could be hidden by planting them between sugar cane and were also planted between rows of sorghum, maize and tobacco, or interspersed with beans and potatoes.¹⁴⁵ In Guizhou and Yunnan, the landscapes were filled with high intersected plateaus, hills and mountains. In the summertime rice was planted in the valleys, and broad beans, wheat and opium during the wintertime. It was an ideal cash crop, lucrative enough to compensate for the long and difficult paths of transportation through this hilly area.¹⁴⁶ Cultivation was also present in the eastern and northern regions, but the winters would be mostly too cold for the cultivation of poppy, thus there the planting of seeds took place in April/May, while the harvesting period was in autumn.¹⁴⁷

The cultivation of poppy required fertilization up to two times. When the capsules would be ripe, they were to be incised during the evening time, and the out-dripping juice collected in the next morning using small spatulas and bamboo containers. The incision of the capsules required some dexterity: When cutting too deep, the juice would flow into the inside of the capsule; when cut too light, the juice would not drip out. This kind of work was tiresome and could take several days of repetition, therefore the whole family would take part in it, including children and women. Afterwards the collected sap would be exposed to air for several weeks, and after thickening could be molded into transportable shapes and placed into wooden compartmentalized crates as raw opium. The rest of the plant could then be used by the peasants as fuel, animal fodder or for the making of oil.¹⁴⁸ In matters of productivity, Xavier Paulès infers from information of the Judu Yuekan (monthly magazine for the eradication of drugs) and the International Anti-Opium Commission, that productivity varied between 30 to 70 liang of opium per

¹⁴⁵ Paulès, *L'opium*, p. 28; Spence, p. 237.

¹⁴⁶ John Lossing Buck, *Land Utilization in China* (New York: The Council on Economic and Cultural Affairs, Inc, 1956), pp. 87–89.

¹⁴⁷ Paulès, *L'opium*, p. 28.

¹⁴⁸ Paulès, *L'opium*, pp. 29–30.

mu, depending on weather conditions.¹⁴⁹ Dong Yiming estimates an average of 50 liang per mu, which lies exactly in the middle of the range given by Paulès.¹⁵⁰

Domestic opium had advantages for farmers and consumers: Farmers could earn higher profits, and consumers profited from lower prices. Even though imported opium was of higher quality, it was much more expensive, therefore the much cheaper domestic opium established itself quickly and started replacing the expensive foreign opium among the poor local customers. Bengal opium, for example, was sold at \$800 per picul when it entered the country, Bombay opium at \$600 and Madras opium at \$400. Domestic opium from Fujian, on the other hand, was available for as little as \$250 per picul, making it affordable for large parts of the population.¹⁵¹ At the same time it was still a profitable cash crop for the local farmers, as the financial yield of opium compared to other crops was much higher. Looking at the estimates of a British trade representative in 1879, the 4.2 taels one could earn per one hundred Chinese square feet of a field of wheat seems low compared to the 8.5 taels that could be earned by growing poppy on the same area.¹⁵² Not only could poppy be planted on poor soils, but when planted on fertile soil it did not deplete them as much as wheat or rice.¹⁵³ In the south, opium could not only be used as winter crop, when other crops would not grow, but at the same time was easier to be stored at a consistent quality for a longer time than food crops.¹⁵⁴ Winter cultivation also gave a fiscal incentive, as official taxation in some areas originally was limited to summer harvest and the stored opium could be sold at a later time.¹⁵⁵ Since cultivation did not require a lot of physical strength, it could be conducted by women and children, while men could cultivate other crops. As Madancy suggests, it is likely that, when the female dominated production of tea in Fujian declined, those women instead engaged in the cultivation of opium.¹⁵⁶

By the 1860s, Qing officials increasingly discussed the relation between the cultivation of poppy and the harvest of other crops. Opponents of cultivation expressed the fear that domestic production might displace food production and cause famines. Proponents on the other hand insisted on poppy's positive effect on food supply. They argued that since in the south it was a winter crop, grown on rather unfertile hillsides, it would provide useful additional revenue; its

¹⁴⁹ Paulès, *L'opium*, p. 30.

¹⁵⁰ Dong, p. 23.

¹⁵¹ Spence, p. 236.

¹⁵² Judith Wyman, 'Opium and the State in Late-Qing Suchuan', in *Opium Regimes: China, Britain, and Japan, 1839-1952*, ed. by Timothy Brook and Bob Tadashi Wakabayashi (University California Press, 2000), p. 215.

¹⁵³ Dikötter, Xun, and Laamann, *Narcotic Culture*, p. 47.

¹⁵⁴ Dikötter, Xun, and Laamann, *Narcotic Culture*, pp. 47–49.

¹⁵⁵ Spence, p. 237.

¹⁵⁶ Madancy, p. 66.

properties of easy storing would enable farmers to sell opium especially in times of bad harvests to buy grain and feed their families.¹⁵⁷ While poppy was indeed initially foremost being grown on the hill side, by 1880 it was also grown on the good soil of the valleys.¹⁵⁸ Trocki points out that the famines during 1867-1869 indeed took their highest tolls in the poppy growing regions. A tendency that would show itself again in the famines of the 1920s and 1930s, when in Shanxi – where supposedly 32 percent of the land was cultivated with poppy – three million people died.¹⁵⁹ It is, however, a too simple conclusion to simply blame poppy cultivation without taking the political background into consideration, as I will show in chapter 4 with regard to the warlord period.

By the end of the nineteenth century, the supply of native opium overhauled imports from India. Imports sank from 5,800 tons in 1879 to about 3,300 tons in 1905, while domestic production in Sichuan alone rose from 8,500 tons in 1879 to 14,000 tons in 1906. In the same period, production in Yunnan rose from 1,600 tons to 4,700 (see table 1).¹⁶⁰ It is estimated that the total amount of domestic production increased by five times in the period of 1870 to 1906, and most likely surpassed Indian imports by nine times at the end of the 19th century.¹⁶¹ Custom official Hosea Ballou Morse at that time estimated domestic production for 1906 at 376,000 chests, equaling 22,500 tons of opium.¹⁶² Samuel A. Adshead gives a number of 269,500 picul for the year 1904 (see table 2).¹⁶³ The share of acreage that was used for opium cultivation all over China was probably about 1.5 percent, but about 8.7 percent in the southwestern provinces.¹⁶⁴

Table 1: Development of domestic opium production in selected provinces compared to imports in metric tons

Origin of Opium	1879	1905/1906
Sichuan production	8,500	14,000
Yunnan production	1,600	4,700
Indian imports	5,800	3,300

Source: Dikötter, Xun, and Laamann, p. 42

¹⁵⁷ Madancy, pp. 124–25.

¹⁵⁸ Spence, p. 237.

¹⁵⁹ Trocki, p. 124.

¹⁶⁰ Dikötter, Xun, and Laamann, *Narcotic Culture*, p. 42.

¹⁶¹ Trocki, p. 126.

¹⁶² Paulès, *L'opium*, p. 103.

¹⁶³ Samuel Adrian M. Adshead, *Province and Politics in Late Imperial China: Viceregal Government in Szechwan, 1898-1911*, Scandinavian Institute of Asian Studies Monograph Series, no. 50 (London: Curzon Press, 1984), p. 51.

¹⁶⁴ Paulès, *L'opium*, p. 106.

Table 2: Opium Production in China in piculs, 1904

Sichuan	200,000
Yunnan	30,000
Guizhou, Manchuria	15,000
Shaanxi, Zhili, Shangdong	10,000
Gansu, Shanxi, Jiangsu, Zhejiang, Henan	5,000
Hubei	4,000
Anhui Hunan, Guangxi	3,000
Fujian	2,000
Jiangxi, Guangdong	500
Total	269,500

Source: Adshead, *Province and Politics*, p.51

The increasing cultivation of opium was not only an answer to increasing demand, but most likely created additional demand in itself. As studies from the 1920s and 1930s show, opium growing peasants often consumed about a quarter of their harvest themselves. Buck comes to the conclusion that in the 1930s peasants only commercialized about 74 percent of produced opium.¹⁶⁵ Additionally, domestically grown breeds had the ability of being smoked in residue up to three times, which was not the case for Indian types.¹⁶⁶ As Dikötter stresses, almost half of all smoked opium was smoked as *dross*, “the residue left in the pipe after opium had been smoked”, which made consumption affordable even for the lowest ranks of laborers, beggars and prostitutes.¹⁶⁷ The total of smokable opium available in China, when including *dross*, might therefore have been as high as 50,000 tons.¹⁶⁸

2.5 Taxation and revenue

The rebellions and the indemnities that had to be paid after the Opium Wars put the Qing government under severe financial pressure. In 1853, the *lijin* (or *likin*), a tax on transport of goods inside China, was introduced by the central government to be levied by the provincial governors, who were in dire need of funds for their local armies. From the 1850's they increasingly relied on the illegal taxation of opium to be able to finance their military forces and therefore the suppression of the mid-century rebellions. The *lijin* created loopholes for the taxation of domestically grown opium by the provinces whenever opium was transported through their territory, therefore opium revenue in the 19th century was mostly acquired through the *lijin* tax.¹⁶⁹

¹⁶⁵ Buck, p. 235.

¹⁶⁶ Dikötter, Xun, and Laamann, *Narcotic Culture*, p. 64.

¹⁶⁷ Dikötter, Xun, and Laamann, *Narcotic Culture*, p. 63.

¹⁶⁸ Dikötter, Xun, and Laamann, *Narcotic Culture*, p. 45.

¹⁶⁹ Alan Baumler, *The Chinese and Opium under the Republic. Worse than Floods and Wild Beasts* (SUNY Press, 2012), p. 31.

The Qing government and the Xianfeng emperor (1850-1861) were aware of those illegal taxations, but tolerated them, as they were dependent on the provincial armies to strike down the rebellions.¹⁷⁰ The prohibition of native opium production, that had been issued in 1831, finally ended in 1874, under the influence of provincial governor Li Hongzhan and the Office for Foreign Affairs. Until 1886 all provinces, except Jiangxi, were levying *lijin* taxes on domestic opium.¹⁷¹ This, enabled governors to organize their own forces, which lay the foundation for the emergence of the local military cliques that would fight over the territory during the Warlord Era (1916-1927), but would also enable them to use this source of income when participating in modernization projects.

At the beginning of the reign of the underage Tongzhi emperor (1861-1875), a modernization campaign was launched by the central government, also known under the name of Self-Strengthening or Westernization Movement (*yuangyu yundong*). It was mainly supported by Prince Gong, prince regent and head of the newly founded Office for Foreign Affairs – the Zongli Yamen. But already in 1870 Prince Gong's competences were drastically reduced by dowager empress Cixi, leaving the modernization campaign mostly in the hands of Li Hongzhang and other provincial governors.¹⁷² Their campaigns focused foremost on the modernization of the military: new arsenals were established; guns, machines, canons, ships and knowledge were bought from Western powers; translation bureaus were established to gain knowledge from foreign literature on technology.¹⁷³ Opium taxation played an important role for these projects. Li Hongzhang, for example, used opium revenues in the province of Zhili for “provincial defense, Beijing police, patrol boats, coal for cruiser ships, and payment of interest on foreign loans.”¹⁷⁴ Zhang Zhidong's Hubei arsenal, that he had founded in 1891, is known to have received almost a third of its revenue from opium money between 1895 and 1906.¹⁷⁵

In the course of the 1858 Treaty of Tianjin, an official duty of 30 tael per chest of opium was introduced, providing another source of income for the government that could be used to tax opium. Subsequently, the Chinese Maritime Custom Service (CMCS) was established as a Sino-British institution to assess all duties for the empire. Its senior staff initially consisted

¹⁷⁰ Zheng, p. 110.

¹⁷¹ Lin, pp. 121–22.

¹⁷² Hsü, pp. 269, 278.

¹⁷³ Hsü, pp. 269–75.

¹⁷⁴ Roy Bin Wong, ‘Opium and Modern Chinese State Making’, in *Opium Regimes: China, Britain, and Japan, 1839-1952*, ed. by Timothy Brook and Bob Tadashi Wakabayashi (University of California Press, 2000), p. 205.

¹⁷⁵ Baumler, *The Chinese and Opium under the Republic*, p. 31.

mostly of foreigners coming from all countries that conducted trade with China, with the number of the respective employees decided according to the country's share of trade with China. This foreign hiring only ended in the 1920s when only Chinese officials were announced.¹⁷⁶ Though the CMCS is often seen as an imperialist institution of the British, it also had advantages for the Qing. The CMCS was a solid modern institution to which the levying of duty could be outsourced, and which proved to be a secure and reliable source of revenue for the central government. The revenue it collected in the 1860s amounted to about 25 million tael, which was one third of all central revenue. While in 1861 only three custom houses were in existence, their numbers grew to 26 houses in 1891, making the collecting of duty more and more efficient.¹⁷⁷ But their existence was not restricted to sea ports, they were established even as far as in Urumqi in Xinjiang (West China) and the Himalaya.¹⁷⁸ Revenue increased especially in the second half of the 1880s, when the Qing government came to an agreement with Hong Kong and Portugal regarding the set-up of CMCS custom houses near Hong Kong and Macao. This made it possible to levy duty on opium that was incoming from these ports.¹⁷⁹

When foreign opium was transported inside the country, further revenues would be made by the provinces via the collecting of *lijin*. Opium revenue made up a large part of provincial revenue collecting in the late Qing period. In Yunnan in the late Qing period provincial governors collected between 200,000 to 300,000 tael a year by taxing opium, with opium accounting for 60 percent of the provinces total *lijin* revenue. In Sichuan about 300,000 taels of opium taxes were collected in 1903.¹⁸⁰ In the province of Hubei 8.7 percent of all tax revenue derived from the taxation of opium, by the year 1896.¹⁸¹ Madancy shows that there were initially vast disparities in the level of taxation among provinces, since its height was regulated at the local level. These differences in taxation on the other hand could cause rearrangements of traffic routes as a means of tax evasion. While opium for example was taxed 76 tael entering at the port of Fuzhou, this number rose to 83 taels if collected in Xiamen. Taxes could even be as low 21 taels, for example in Shanghai, though demand in other regions remained such strong that Xiamen and Fuzhou became one of the principal places for import in the 1860s and 1870s, despite their high taxes.¹⁸²

¹⁷⁶ Ven, p. 3.

¹⁷⁷ Ven, p. 117.

¹⁷⁸ Ven, p. 3.

¹⁷⁹ Ven, p. 119.

¹⁸⁰ Baumlér, *The Chinese and Opium under the Republic*, p. 31.

¹⁸¹ Baumlér, *The Chinese and Opium under the Republic*, p. 157.

¹⁸² Madancy, p. 56.

With duty and *lijin* being levied separately, opium taxation was not only a rather troublesome matter for merchants, but created tensions between the different tax levying institutions, that were competing for revenue. A first standardization of taxes came in 1887 with the implementation of the Chefoo Convention between Britain and China, that had already been prepared in 1876, but postponed due to differences about the height of taxation. It fixed the height of the *lijin* to a sum of 80 tael and brought it under the supervision of the Maritime Customs Service. Duty and *lijin* collecting then would account together for a taxation of 110 taels per chest, which would – calculated with the import rate of the 1890s at 50,000 chests – account for a yearly revenue of 5.5 million taels.¹⁸³ The yearly revenue of the Chinese Maritime Custom Service increased from 10 million tael in 1869 to 32 million by 1908 with taxes in the treaty ports making a substantial share of customs revenue. Provincial governors, though, would still receive a share of these revenues.¹⁸⁴

In 1891, the government placed the collection of all opium taxes under central authority.¹⁸⁵ For a long time, central powerholders had refrained from allowing domestic cultivation, since they feared a rise in consumption. They had hoped that the standardization of taxes on foreign opium would also reduce the incentive for domestic cultivation, but the opposite was the case. In fact, after the implementation of the Chefoo Convention foreign opium was taxed in such an efficient way that it made domestic production even more attractive, since it was easier to avoid *lijin* taxes than duty. Centralization was not an easy task: Even after 1891, provincial governors would continue to collect extra-taxes on opium production and transport. While in some provinces like Fujian farmers would pay a certain sum (in this case 42 taels, a third of its price) per picul as opium transit tax, in other provinces, fees would be charged for each territorial unit on which poppy was planted.¹⁸⁶ These disparities led to the implementation of a consolidated tax through the central government by 1905, explicitly replacing any provincial tax and preventing further levying after the central tax had been collected. The strategy of the state turned towards control of the flow and consumption of the drug through heavy taxation under the motto “prohibition through excessive taxation” (*yujin yuzheng*)¹⁸⁷.

¹⁸³ Madancy, p. 59.

¹⁸⁴ Kwang-Ching Liu, ‘The Ch’ing Restoration’, in *The Cambridge History of China, Vol. 10: Late Ch’ing 1800-1911, Part 1*, ed. by John K. Fairbank (Cambridge: Cambridge University Press, 1978), pp. 409–90 (p. 483); Gabe T. Wang, *China’s Population: Problems, Thoughts and Policies* (Ashgate, 1999), p. 838.

¹⁸⁵ Spence, p. 255.

¹⁸⁶ Madancy, p. 70.

¹⁸⁷ Madancy, p. 70,76,79.

The official revenue of the central Qing state rose from about 43 million tael in 1849 to 77 million in 1875, caused by a quadrupling of commercial taxes, and rose to 302 million tael in 1911. Agricultural taxes accounted for 50 million and commercial taxes for 207 million tael, so there was a shift from agriculture-based financing to mercantile taxation.¹⁸⁸ Nevertheless those 302 million tael of revenue stood vis-à-vis 376 million tael of expenditure,¹⁸⁹ as the Qing government had to spend enormous amounts of its income on penalty payments and war indemnities.¹⁹⁰ It is unknown how large the share of opium taxes was in these accounts, but they certainly played a role and might explain why the central government was so eager to take opium taxation away from provincial governors and bring it under its own control. The value of all opium trade in China is estimated by Bin Wong at about 130 million tael in 1900, compared to grain and salt at 100 million tael each (though I perceive this number still as rather low).¹⁹¹

2.6 Prohibition efforts from 1905-1916

Despite opium being successfully turned into state revenue and taxes being centralized, concerns about the moral and physical effects of opium grew after 1895. In 1894, Japan invaded Korea and set up a puppet regime before launching attacks at the Chinese army and destroying the Chinese military fleet, starting the First Sino-Japanese War. The outcome was a disaster for the Chinese court. Already in 1885, China was not able to defend its tributary state, Vietnam, against French colonialization, which was a severe setback. Then in 1900, in the course of the Boxer Rebellion Western powers had invaded Beijing. But now not only had the much smaller Japan, a former tributary state, conquered another tributary state, but it had defeated the Middle Kingdom itself and put the final blow onto the traditional power structures of the tributary system. Not unlike the opium debates of the 1830s, tensions between Han officials and Manchu aristocrats dominated the discourse. In the eyes of Qing authorities, the defeat in the Sino-Japanese War had discredited the Self-Strengtheners efforts in military and industrial modernization. They blamed a perceived societal and moral degradation as cause for the military defeat, aiming at strengthening their own position at the court through re-invoking traditional Confucian values.¹⁹²

¹⁸⁸ Bin Wong, pp. 203–4.

¹⁸⁹ Chuzo Ichiko, ‘Political and Institutional Reform 1901-1911’, in *The Cambridge History of China. Volume II: Late Ch’ing, 1800-1911, Part 2*, ed. by John K. Fairbank and Kwang-Ching Liu (Cambridge University Press, 1980), xi, 375–415 (p. 407).

¹⁹⁰ Jean-Laurent Rosenthal and R. Bin Wong, *Before and Beyond Divergence: The Politics of Economic Change in China and Europe* (Cambridge, Mass: Harvard University Press, 2011), p. 222.

¹⁹¹ Bin Wong, pp. 203–4.

¹⁹² Dikötter, Xun, and Laamann, *Narcotic Culture*, pp. 107–8.

The ideologies that were associated with anti-opium sentiments were embedded within the broader political and economic context and changed throughout the century. In the 1830s, concerns had been mostly made about the economic consequences of the trade with the outflow of silver at the center of the debate. Then, when domestic cultivation in China grew during the latter half of the 19th century, fears came up that poppy cultivation might replace food crops.¹⁹³ In the 1870s there was another turning point in the debate, when medically supported health concerns were introduced by European missionaries, who increasingly opposed opium.

The unequal treaties gave Christian missionaries unrestricted access to the country's interior for the first time. Their ability to travel frequently played an important role in the facilitation of information exchange between Britain and China. In the eyes of British Protestant missionaries, opium was a menace, that was blamed for all kinds of evil – even the low number of Chinese converts to Christianity. Consequently, anti-opium sentiments were propagated through articles in church newspapers, church conferences and public meetings, stressing the health dangers of the drug.¹⁹⁴ The 1890s saw not only increasing missionary activity in China, but also the dissemination of pictures of Chinese opium dens and their smoking customers in Great Britain.¹⁹⁵ As Xavier Paulès points out, before the 1890s, the positive effects of opium were still publicly mentioned from time to time – opium use among the rich was still perceived as “as an expression of wealth and a wonderful way to socialize, and its analgesic properties made it the equivalent of a panacea”. During the 1890s however, the shift was obvious, as the image of skinny opium smokers dressed in rags became prevalent.¹⁹⁶ By then, even Li Hongzhang, who was mostly responsible for the relaxing policy after 1874, recognized the consequences opium might have for individual health. His foremost concern became to take away profits from foreigners, arguing that only if the control was put back into the hands of the Chinese state, opium production could be gradually eliminated.¹⁹⁷

It should be mentioned, that concerns about opium received increasing attention by the British public at a time when British traders were crowded out of the opium business, and Indian opium on the Chinese market was more and more replaced by domestic production. Large British trading houses, like Jardine & Matheson or Dent & Co., were withdrawing from the market;

¹⁹³ Lin, pp. 117–43.

¹⁹⁴ Kathleen L. Lodwick, *Crusaders Against Opium: Protestant Missionaries in China, 1874-1917* (University Press of Kentucky, 1996), p. 29.

¹⁹⁵ Lodwick, pp. 32–34.

¹⁹⁶ Xavier Paulès, ‘Anti-Opium Visual Propaganda and the Deglamorisation of Opium in China, 1895–1937’, *European Journal of East Asian Studies*, 7.2 (2008), 229–62 (p. 229).

¹⁹⁷ Lin, pp. 118, 121.

British tea demand was increasingly satisfied by the production in India, while at the same time negative perceptions of opium in the general British population increased. Now it was claimed by the Society for the Suppression of Opium Trade, that the opium trade with China was strangling other forms of commerce, hindering the Chinese from embracing British manufactured goods on their markets. Indeed, British exports to China were hardly increasing in the 1860-1880 period, though trade with Japan quadrupled.¹⁹⁸ At the end of the 19th century, the composition of China's trade partners saw increasing diversification. Great Britain's share of Chinese export values, which had ranged at 75 percent in 1865 had sunken to mere 10 percent in 1900. Trade with other European countries, Russia, Japan and the USA, on the other hand, was on the rise.¹⁹⁹ Probably because of such commercial concerns, the anti-opium lobby started receiving political support from the radical, non-conformist wing of the Liberal Party. The anti-opium cause received increasing attention in the British parliament and was also an issue during the election in 1880.²⁰⁰ It is likely that the decreasing economic importance supported a climate in which British anti-opium activists could make their voice be heard.

In China, health concerns became more and more embedded into national and anti-imperialist discourses, aiming at political change and prevention of “racial extinction” (*miezhong*).²⁰¹ The advancing of Chinese anti-opium sentiments was deeply interwoven with current political conflicts. After the shock of the Boxer rebellion, under the leadership of dowager empress Cixi the Qing state started the first centrally coordinated modernization project, aiming to radically change the institutions of the Chinese state. Traditional Government Boards were transformed into modern ministries and the traditional Confucian education system was replaced by modern Western schools. In 1903 the Commission for Army reorganization was launched and by 1906 “the Board of War and the Commission for Army Reorganization were merged into the Army Ministry” and had authority over all the land forces of the empire.²⁰² In 1907, Zhang Zhidong, who was governor general of Hubei and Hunan, and Yuan Shikai – governor-general of Zhili and protegee of Li Hongzhang – both were transferred to Peking to become grand councilors. It might have looked like a promotion, but it also meant that the personal armies of both governors were no longer under their command.²⁰³ It was in the context of these institutional reforms

¹⁹⁸ Virginia Berridge and Griffith Edwards, *Opium and the People: Opiate Use in Nineteenth-Century England*, 3rd edn (London: Free Association Books Ltd, 1999), p. 178.

¹⁹⁹ Keller, Li, and Shiue, p. 865.

²⁰⁰ Berridge and Edwards, p. 180.

²⁰¹ Dikötter, Xun, and Laamann, *Narcotic Culture*, p. 94.

²⁰² Ichiko, XI, p. 385.

²⁰³ Ichiko, XI, pp. 385–86.

and reorganizations that the state would launch a new wave of anti-opium campaigns from 1905 onwards.

In 1906, a Sino-British Treaty for the stopping of the opium trade was signed, obligating Britain to end the opium trade from India to China, but also obliging China to eradicate domestic cultivation and consumption. The Indian government promised to reduce its exports on the condition that China would reduce domestic production by 10 percent annually, leading to the Chinese government launching a systematic attack on domestic opium.²⁰⁴ Indian opium exports quickly came to a halt: They sank from a value of £3,000,000 in 1912-13 to mere £27,833 only one year later and amounted to zero by 1914-15. Over the years, the importance of opium revenue for the Indian government had been decreasing as revenues from other sources were rising, while at the same time an anti-opium movement had gained momentum in Great Britain. Therefore, the country was willing to accept this treaty out of economic and political reasons.²⁰⁵

On the Chinese side, to fulfill the contract, poppy plants were rooted out, opium houses in the whole country were closed, users registered and licensed or put into replacement therapies.²⁰⁶ By early 1911, opium production had almost completely stopped in the leading province of Sichuan and was reduced by three-fourths in Yunnan. At least 80 percent of all poppy fields in the whole country were reverted to the cultivation of food crops until 1911.²⁰⁷ These efforts of prohibition did not take place without resentment by the local populations who saw their livelihood threatened. Bianco counted as much as 58 cases of peasant resistance and rebellion in the years from 1907 to 1911.²⁰⁸ Riots did not only occur spontaneously or by individuals, but were also supported and organized by secret societies, like the Red Lantern Sect (*hongdengjia*).²⁰⁹

In the autumn of 1911, an accidental bomb explosion caused a political chain reaction in which 15 provinces declared their independence and forced the Qing government to resign. In 1912, the Chinese Republic was proclaimed. The course of opium suppression was continued until the rupture of the Republic in 1916, which was followed by political chaos. The ensuing warlord

²⁰⁴ Trocki, p. 128.

²⁰⁵ Bauer, p. 27.

²⁰⁶ Dikötter, Xun, and Laamann, *Narcotic Culture*, p. 110.

²⁰⁷ Lucien Bianco, 'The Response of Opium Growers to Eradication Campaigns and the Poppy Tax, 1907-1949', in *Opium Regimes: China, Britain, and Japan, 1839-1952*, ed. by Timothy Brook and Bob Tadashi Wakabayashi (University of California Press, 2000), pp. 292-93.

²⁰⁸ Bianco, pp. 295-96.

²⁰⁹ Trocki, p. 130.

period then brought opium once again to the forefront of political and economic agenda as a source of revenue for financing warfare and state-building.

3. China's foreign economic relations after 1911

The time immediately after the Republican revolution of 1911 was a period of growing foreign influence. Foreign capital was increasingly imported into the country and foreign lenders competed aggressively with each other to expand their respective sphere of influence, but also formed large international groups from time to time, like the five-power banking consortium.²¹⁰ The restructuring of the country made new sources of revenue necessary and led to a dependence on foreign loans. When the First World War began, European capital, for the time of the war, ceased to flow. It was the perfect opportunity for Japanese and American capital to fill up that space and become “the principal creditors of China during this period”.²¹¹ Japan did not only replace European powers in terms of loans but also when it came to territory: As an ally of Great Britain during the Great War, it took over the German territories in Jinan and Qingdao and, on 8th January 1915, sent its 21 demands to the Chinese government, to extend its influence in the Chinese economy, especially in Manchuria. Likewise, trade patterns were restructured: the British Empire lost its dominant position in Chinese imports and was soon surpassed by Japan and the United States.

3.1 Foreign lending

During the suppression of the rebellions of the mid-19th century, the Qing government for the first time had to rely on loans of foreign banks. Up until 1894, however, their height was neglectable, accounting for maybe a few dozen million tael. It was the Sino-Japanese War of 1895, that sparked a chain reaction and forced the Qing government to rely on foreign borrowing at an unprecedented level. With the Treaty of Shimonoseki, China had to sign an agreement, that promised Japan the payment of 200 million tael as war indemnity, half of the sum being due within a year. Having a yearly revenue of only 90 million tael, the government had no other option than to rely on loans from the Franco-Russian and Anglo-German banking consortiums

²¹⁰ Zhengping Chen, *A Brief History of Foreign Debt in China* (Reading, UK : Beijing, China: Paths International Ltd, 2014), p. 44.

²¹¹ Chen, p. 52.

to be able to pay the indemnities. After the Boxer Rebellion of 1900, another 450 million tael were added, that had to be paid as indemnities to Western powers.²¹²

When the Beiyang government took over affairs in 1912, it was still indebted by these sanction payments and had to continue relying on foreign lending. Between 1912 and 1927, 80 percent of the Maritime Custom Service's revenue was reserved for debt servicing, while the fixed tariffs forced upon China by the unequal treaties did not allow the state to change duty on foreign trade. Tariff autonomy was only regained in 1930.²¹³ Table 3 and 4 show some of the loans the Beiyang government received between 1911 and 1927. Japanese capital clearly had a leading position, giving about seven and a half million dollars to the Provisional Government in 1911, and over 90 million dollars between 1920 and 1927. The debt that was acquired throughout this period was later inherited by the Guomindang government.

Table 3: Loans of foreign corporations and financial groups to the Provisional Government during the Revolution of 1911 in silver dollars after country of origin

Lender	Silver Dollars
Japan	7.458.000
Four-power banking Consortium of Great Britain, France, Germany, and the USA	2.679.000
Hong Kong	2.404.000

Source: Chen, 2014: 43.

Table 4: Loans of foreign corporations and financial groups to the Beiyang Government 1920-1927 in silver dollars after country of origin

Lender	Silver Dollars
Japan	90.288.600
South Manchuria Railways Co.	27.395.400
Japanese Government	12.883.400
France (China-France Bank)	78.382.000
Belgium and Holland	29.047.600
USA	8.225.300
Great Britain	5.794.400
Canada	5.921.100

Source: Chen, 2014: 66.

²¹² Chen, pp. 25–28, 34, 38.

²¹³ Albert Feuerwerker, 'Economic Trends, 1912-49', in *The Cambridge History of China, Vol. 12: Republican China 1912-1949, Part 1*, ed. by John K. Fairbank and Denis Twitchett (Cambridge University Press, 1983), pp. 28–127 (p. 100).

These developments are important, because they deliver information on the economic and political background in which the opium trade in the Republican period took place. For example, the Guomindang government would inherit both the debts of the imperial Qing government and the Republican Beiyang government, so it not only had to spend millions on military campaigns to keep the territory together, but also millions on the settling of debt. For sure this must have had some influence on decision-making regarding the government's collecting of state revenue and might to some part explain the financial dependence of the regime on opium taxation. It further shows how Japan expanded its sphere of influence in China via debt.

3.2 Foreign trade

While during and directly after the First World War China experienced substantial industrial expansion, already in 1920-1921 the country was facing a severe economic depression.²¹⁴ Exports to the European states decreased, leading to massive inflation as the country was dependent on silver imports to stabilize its currency.²¹⁵ When it comes to international trade, in the post-opium wars economy of the 19th century, Great Britain, India and the continental European countries had been China's biggest trading partners. But during the First World War, European powers were mainly focused on war production, and trade with China was drastically reduced. It followed, that Britain and British India lost their dominance in Chinese foreign trade and were soon surpassed by the US and Japan. Especially Japan used the emerging imperial power vacuum to expand its investment in the Chinese economy.²¹⁶ The average share of imports from Britain and British India to China had accounted for about 43 percent of all imports between 1865 and 1900 (see table 5). They sank to an average of roughly 27 percent in the period of 1900-1946. The share of US imports, on the other hand, grew from an average share of mere 2.65 percent in the 1865-1900 period to an average share of 22 percent between 1900-1946. In the same periods, Japanese imports grew from a share of 5.8 percent to 24.5 percent.²¹⁷

²¹⁴ Feuerwerker, 'Economic Trends, 1912-49', p. 49.

²¹⁵ Dietmar Rothermund, *The Global Impact of the Great Depression, 1929-1939* (London: Routledge, 1996), p. 111.

²¹⁶ Chen, p. 52.

²¹⁷ Keller, Li, and Shiue, pp. 864-66.

Table 5: Chinese Imports 1865-1900 and 1900-1946 according to country in % (rounded numbers)

1865-1900		1900-1946	
Hong Kong	41	Japan	25
Great Britain	25	USA	22
British India	18	Great Britain	17
Japan	6	British India	10
USA	3	Germany	4
Others	7	Others	22

Source: Keller/Li/Shiue (2011): 864, 866.

During the Republican period, Japan expanded its influence when its trade share grew from 20 percent in 1915 to almost 40 percent in 1925 (though falling drastically in the 1930s, due to the annexation of Manchuria). Imports from and exports to the US on the other hand grew especially after 1930 and would account for more than half of China's exports by 1946. By the Republican Era, Great Britain's dominance in China was broken. The changing trade patterns indicate that economic interests and influence of Japan and the United States on the other hand grew. As I will show at a later point, opium policy was one of the areas in which the United States and Japan unloaded their economic tensions. Opium was used by Japan to support its geopolitical influence, especially in Northern China, while the USA felt their sphere of interest being threatened.

3.3 The Japanese in Manchuria

Since the 1890s, Manchuria had been an area of dispute between China, Russia and Japan. The era was not only a gateway to the economic penetration of China but also had a vast area of arable land for the plantation of soybeans and was full of mineral resources like coal, iron, ore, gold and silver. After the Second Sino-Japanese War in 1905, Japan acquired the Guangdong Leased Territory in Southern Manchuria, and shortly after in 1906 established the Guangdong Army and the Mukden Special Service Agency to keep the area under control. The Sino-Japanese Treaty of 1915 put a further growth spurt on Japanese expansion.²¹⁸ By the 1920s, Japanese authorities had close ties with Manchurian warlord Zhang Zuolin, who was acting according to Japanese economic interests which complemented his own political objectives.²¹⁹ As a result, Japanese investment into the Manchurian industry rose: While the share of gross

²¹⁸ Feuerwerker, 'Economic Trends, 1912-49', p. 70.

²¹⁹ William O. Walker, *Opium and Foreign Policy: The Anglo-American Search for Order in Asia, 1912-1954* (Chapel Hill: The University of North Carolina Press, 1991), p. 51.

investment from Japan had amounted to only 9 percent in 1924, it grew to 17 percent in 1934 and was reaching 23 percent in 1939.²²⁰ By 1925 over 900 Japanese companies were operating in Manchuria with a total capital of 536 million Yen. Among them were companies such as the South Manchurian Railway Company, Mitsubishi, and Mitsui Bussan.²²¹ The growing economy attracted not only large numbers of Han Chinese, but Korean and Japanese migrants as well. By 1930, about 200,000 Japanese and 800,000 Koreans were living in the area.²²² Consequently, between 1910 and 1940 the Manchurian population grew from about 18 million to 38 million.²²³ In the course of the Mukden incident in 1931, Japanese troops occupied the territory and the Mukden army's troops grew from 10,400 to 64,900 soldiers by late 1931. In 1932 they would further grow to 94,100, reaching 200,000 in 1937.²²⁴ In November 1932, the Manchurian government set up a government monopoly on opium and started to buy up all the available supply in its territory, while additionally importing raw opium from Persia and Korea.²²⁵

On the outside Japan tried to maintain the appearance of prohibition as a main policy and on several occasions announced the intention to restrict cultivation and end imports.²²⁶ In reality, however, authorities had only little power over illegal trade in opium and narcotics and probably also little interest in curtailing them. The only result of the government's efforts was that the manufacturing of morphine and heroine was brought under the control of the Japanese military police and Special Service Section, and European firms were subsequently driven out of the market.²²⁷

4. Opium in the Warlord Era, 1916-1927

With the death of the Republic's first formal president and self-declared short-time-emperor Yuan Shikai in 1916, the Beiyang government basically lost control over most territories in China, heralding the oncoming era of political chaos and warlord rule. Most networks in the Beiyang army had been directly subordinated to Yuan and were confronted with a new situation in which they had to decide to whom they would pledge their loyalty. Instead of following the

²²⁰ Feuerwerker, 'Economic Trends, 1912-49', p. 47.

²²¹ Richard Friman, *Narcodiplomacy: Exporting the U.S. War on Drugs* (Ithaca, N.Y: Cornell University Press, 1996), p. 37.

²²² Friman, p. 37.

²²³ Feuerwerker, 'Economic Trends, 1912-49', p. 70.

²²⁴ Friman, p. 37.

²²⁵ John M. Jennings, *The Opium Empire: Japanese Imperialism and Drug Trafficking in Asia, 1895-1945* (Greenwood Publishing Group, 1997), p. 77.

²²⁶ Smith, p. 30.

²²⁷ Smith, p. 31.

central government, allegiances were readjusted according to political, geographic and military circumstances, resulting in several political and military factions. It was in this period of time, also known as Warlord Era (1916-1927), that the opium trade routes and methods of taxing and controlling them would emerge, that would later serve the Guomindang in their quest for ensuring steady revenue, after unifying the country in the course of the Northern Expedition 1926-1928.

4.1 Opium and warlordism

The most important groups of warlord alliances that emerged in the 1920s were the Fengtian Clique in the Northeast, the Zhili Clique in the area around Beijing, the Anhui Clique in the area west of Shanghai, and the Guangxi Clique in the South of China. The territories they controlled, however, would shift and vary throughout the warlord period.²²⁸ Civil and military governors were often paralleling and undermining each other's position and there were hundreds of different warlords all over China, leading to alliances and control steadily changing throughout the whole period. Sichuan, for example, was "fragmented and in turmoil" due to the competition of several warlords during the whole Republican period.²²⁹ What all militarists had in common though, was their constant search for revenue. The number of people in arms steadily grew from about half a million in 1916 to over two million in 1928, consuming unimaginable amounts of resources.²³⁰ In Guangxi, for example, in 1928 only one percent of the budget was spent for education, compared to 43 percent that were used for military expenses.²³¹ On one hand, the soldiers and officials had to be paid and fed, on the other hand the frequent corruption and bribes consumed further revenue. Warlords relied on various taxes and sources of income to cover these costs and fill their own pockets – and opium was one of them.

Opium and warfare went hand in hand. With the revenue from opium taxation and sales military supply and provisions were bought. Weapons were either bought from one of the few local manufactures or bought from foreign powers.²³² Especially after the First World War there was a surplus of weaponry from the war and the international arms and armaments trade took off. Be it weapons of Vickers from England, Krupp from Germany, Schneider from France, Dupont

²²⁸ James E. Sheridan, 'The Warlord Era, 1916-28', in *The Cambridge History of China, Vol. 12: Republican China 1912-1949, Part 1* (Cambridge University Press, 1983), pp. 284–321 (pp. 293–94).

²²⁹ Sheridan, p. 291.

²³⁰ Sheridan, p. 288.

²³¹ Dong, p. 129.

²³² Edward L. Dreyer, *China at War, 1901-1949* (Longman, 1995), p. 152.

of the United States, or Skoda from Czech Republic – they all could be found in the hands of soldiers in the armies of warlords in China.²³³

In matters of provision, when in 1915/1916 the Yunnanese army invaded Sichuan, their men did not receive any monetary compensation but instead were carrying along thousands of chests of opium to sell. Each horse was packed with about 100 kg of the substance accounting to approximately 50 tons.²³⁴ Taking control over opium routes was an important strategic goal in times of warfare. In the conflict between Sichuan and Yunnan-Guzhou in 1918, opium from Yunnan could only be delivered via two routes: one towards the south into the direction of Guangxi, the other one northward into the direction of Sichuan, where it could either be sold in Sichuan or delivered further downstream the Yangzi River towards Shanghai. Warlords in Sichuan, however, sought to protect the market for Sichuan opium and attempted to boycott the Yunnanese product. In 1920, the Sichuan troops defeated the Yunnanese troops, which withdrew to Guangxi, while their military leader Tang Jiyao for the time fled to Hong Kong.²³⁵

Opium was not only a reason for war but literally was able to decide its outcome. The Yunnan-Guangxi war of 1924-1925 was partly led because Yunnanese warlord Tang Jiyao wanted the monopoly on the transport of Yunnanese opium that was delivered from Yunnan through Guangxi to Guangdong. Troops usually carried opium with them and were often accompanied by merchants who would sell the opium locally to pay for their provisions. The Yunnanese army, however, got stuck in the city of Nanning and was not able to sell any opium. Subsequently they convinced local merchants to smuggle 200,000 liang of opium out of the city, but the delivery was intercepted by the army of Guangxi, who was in dire need of provisions for their troops and subsequently won the war.²³⁶

Although already in the Late Qing Empire provincial governors had profited from taxing opium, profound changes occurred in the relationship between territorial rulers and the opium business during the warlord era, as opium trade became enmeshed with civil and military administration. While late Qing authorities had refrained from establishing open monopolies, they were becoming a frequent reality in several warlord-controlled territories during the Republican period as a means of financing warfare.²³⁷

²³³ Anthony B. Chan, *Arming the Chinese: The Western Armaments Trade in Warlord China, 1920-28*, 2nd edn (UBC Press, 2010), pp. 49–52.

²³⁴ Dong, pp. 110, 125.

²³⁵ Dong, pp. 111, 118.

²³⁶ Dong, pp. 121–23.

²³⁷ Edward R. Slack, *Opium, State, and Society: China's Narco-Economy and the Guomindang, 1924-1937* (University of Hawai'i Press, 2001), p. 69.

4.2 Taxation and revenue

One major way to collect revenue from opium was the collection of fines and taxes on its production and trade. Various taxing stations, often called “Opium Suppression Bureaus” or similar sounding names were set up by warlords, collecting opium fines. As many as thirty-one different names for opium taxes all over China have been identified.²³⁸ In Shaanxi and Zhili for example, warlords were setting up fixed quotas for sanctioning payments on opium production that were to be paid by each county, no matter if peasants engaged in opium growing or not. These sanction payments were nothing more than tax payments in disguise, set at such high levels that most peasants had no choice but to engage in the growing of the lucrative cash crop.²³⁹ There are reports that in some cases warlords were using “laziness” taxes, explicitly taxing peasants who refused to grow opium. A survey of the National Anti-Opium Association conducted in 1929 in 18 provinces, however, found such taxes to be only of marginal importance.²⁴⁰

In Yunnan, Tang Jiyao was the first warlord of the Republican era to levy taxes on opium cultivation in 1913. In 1920, he intended to expand his military influence towards Sichuan province without success. Opium income was at the same time a reason for military campaigns and a solution to financing Tang’s military expansionism: Under the guise of the goal of suppressing opium through high taxation, the Yunnan Opium Suppression Fine Office was established, dividing the province into four opium suppression districts and collecting a tax of two Yunnan dollars for each mu that was planted with poppy. In consequence, the province went through a rapid surge of centralization and improvements in the organization of the opium trade.²⁴¹

Another way of securing revenue was to establish control over trade routes and channel as much opium as possible through the tax stations set along these routes. Especially between 1925 and 1934, warlords in Yunnan were eager to develop more effective systems of channeling the trade through their tax stations. To increase their opium income, they directed as much opium as possible through the capital city Kunming, where it was taxed with 16 dollars per one hundred liang. In 1931, Kunming had an income of 11 million Yunnanese dollars, of which four million were made by collecting opium taxes.²⁴² The collected fines and taxes enabled the pursue of

²³⁸ Baumler, *Chinese and Opium under the Republic*, pp. 90–91.

²³⁹ Paulès, *L’opium*, p. 102.

²⁴⁰ Baumler, *The Chinese and Opium under the Republic*, p. 90; Paulès, *L’opium*, p. 102.

²⁴¹ Baumler, *The Chinese and Opium under the Republic*, p. 97.

²⁴² Baumler, *The Chinese and Opium under the Republic*, pp. 99–100.

further military ambitions. Of the 197,140 Yunnanese dollars that were in 1929 collected in Guangnan county, 113,426 were spent on the invasion of Guangxi province.²⁴³ Guangxi was an inviting target for military control, as the province profited massively from its location as a region of opium transit, which it heavily taxed. By 1932, half of Guangxi's income was made up by Opium taxes. In numbers, this means that \$15,880,000 of the \$31,000,000 yuan the province earned each year was provided by opium.²⁴⁴

In Manchuria, opium taxation was mostly conducted via the collecting of *lijin*. In the 1920s, opium trade flourished under the rule of warlord Zhang Zuolin, who was the leader of the the Fengtian clique. In 1923 he installed Zhang Zongchan as Defense Commissioner of eastern Jilin and assigned him with the authority over the Chinese Eastern Railway (CER). One of Zhang Zongchan's first actions was to legalize opium business and start collecting the *lijin* on opium. This policy was only interrupted for a short time in 1925, when his successor Zhu Jinglan tried to suppress production and trade along the Chinese Eastern Railway.²⁴⁵

A more complex method of collecting revenue through opium was the establishing of opium monopolies or tax farming systems. Governments could, for example, either farm out a monopoly to individuals or licensees, granting them the right to legally conduct trade and sales in opium. Governments could also take over the charge of selling opium, and have their own agents run shops and hand out licensed opium to customers.²⁴⁶ Farming systems were the most common during the warlord period, as they were much easier to organize and required less state power. Howard Dick defines a tax farming system as “a system by which the state leased, through auction to the highest bidder, the monopoly right to conduct particular service, collecting taxes in particular, or to engage in a particular activity for profit, in return for an agreed fixed price paid in advance to the state on a routine basis.”²⁴⁷ It is “characteristic of an early state of state formation” in which a state would use this system “until it managed to centralized its power and assume the character and function of a modern, rational-bureaucratic state”, while also, according to Abdul Wahid, forming a “nexus between the state and the business elite”.²⁴⁸

²⁴³ Baumbler, *The Chinese and Opium under the Republic*, p. 98.

²⁴⁴ Dong, p. 124.

²⁴⁵ Jennings, p. 79.

²⁴⁶ Herbert L. May, *Survey of Smoking Opium* (New York, Opium Research Committee of the Foreign Policy Association, 1927), p. 9 <<http://archive.org/details/surveyofsmokingo00mayh>> [accessed 16 January 2018].

²⁴⁷ Dick, Howard (1993), “Oei Tiong Ham” in John Butcher and Howard Dick (eds.), *The Rise and Fall of Revenue Farming: Business Elites and the Emergence of Modern State in Southeast Asia* (pp. 272-280). London/New York: Macmillan – St. Martin Press.

²⁴⁸ Abdul Wahid, ‘From Revenue Farming to State Monopoly: The Political Economy of Taxation in Colonial Indonesia, Java c. 1816-1942’ (Onderzoek Instituut voor Geschiedenis en Cultuur, Universiteit Utrecht, 2013), pp. 9, 15.

Virtually all provinces with larger shares of opium production saw at least attempts of rulers to monopolize the trade. For example, in Xiamen in the south of Fujian province, warlord Cang Zhiping was able to realize a revenue of \$500,000 per month. In Jiangxi, he created an organization called Anti-Opium Society together with the provincial assembly, which in fact was consisting of military and civil brigades that supervised the transport and sale of opium. This monopoly generated another \$400,000 per month. Later a monopoly in Fujian's capital Fuzhou would be farmed out, bringing authorities another \$700,000.²⁴⁹

In Manchuria, an official government monopoly was introduced in 1927, when the regime was in heavy need of finances to cover its military expenses. The monopoly was managed by the General Opium Prohibition Bureau in Mukden, which ran thousands of so-called Opium Prohibition Drug Stores, which were official government retail stores that sold monopoly opium. In the area of Jilin, governor Zhang Zuoxiang refused this kind of legalization and instead continued levying only *lijin* taxes on the opium that was imported into his province. In such a way Zhang Zuolin in 1927 was able to reach a revenue of 10 million yuan of revenue through opium taxes from all over Manchuria.²⁵⁰ After the establishing of the Japanese vassal state of Manchukuo in 1931, a new government monopoly was established and by 1936, the “annual opiate sales in Manchukuo were worth approximately 180 million yuan”. At the same time, though, “officials calculated that the eradication of opiate addiction could free up to 300 million yuan annually for industrial development.”²⁵¹

An important attempt of monopolization was conducted in Canton, where the troops of the Guomindang and Sun Yat-Sen in early 1923 conquered the city and drove out the troops of former warlord Chen Jiongmeng. While during the reign of Chen a strict prohibition of opium had been enforced, policy soon loosened up under the Guomindang. When the rather autonomous operating nationalist garrisons began to levy opium taxes on their own, political leaders adapted and legalized opium and opium dens by 1924. In the same year the Opium Suppression Superintendent's office was created and placed under the authority of Yang Xiyan.²⁵² The year 1925 then marked the first attempt to establish an official monopoly. A contract was signed with Canton merchants, who would commit to selling (mostly) Persian opium to the Opium Suppression Superintendents Office. Foreign opium was deemed a better solution in order to

²⁴⁹ Slack, *Opium, State, and Society*, pp. 68–69.

²⁵⁰ Jennings, p. 80.

²⁵¹ Smith, p. 41.

²⁵² Xavier Paulès, ‘Opium in the City: A Spatial Study of Guangzhou's Opium Houses, 1923—1936’, *Modern China*, 35.5 (2009), 495–526 (pp. 496–97).

not stimulate domestic production any further. The market in Canton, however, was large and prices of Persian opium too high for the regular opium smoking laborer. The monopoly soon proved to be a financial failure and was abolished after only four months of existence. After that a new agency under the name of Opium Suppression Office was set up inside the Ministry of Finance, organized as a traditional tax farming system. The government would make contracts with companies that would conduct the opium business for it, receive a fix sum per month and any profits above, and finally set up Monopoly Sales Bureaus all over Guangdong.²⁵³

In July 1926, the government had decided to set up Monopoly Sales Bureaus in the most important ports and cities for trade all over Guangdong, that “were essentially licensed wholesale and transport companies operating on behalf of the Ministry of Finance.”²⁵⁴ They would bring in \$2,120,000 between May and September 1926, and collect above \$10 million by 1928, generating the revenues that were necessary for financing the army. By that time, about \$20 million would be needed every month to finance the troops of Chiang Kai-shek, Sun Yat-sen’s successor. The numbers of soldiers increased from mere 100,000 in 1926, when the Northern Expedition started, to 1,6 million in 1928, when the Northern Expedition was declared successful.²⁵⁵

Table 6: Opium monopolies of the Canton Regime, 1924-1926

Period	Type of Monopoly	Contract Firm	Supervising public agency	Duration in months	Revenue in silver dollars	Monthly Revenue
August 1924 - November 1924	State Monopoly with private company assistance	Anhua Gongsi	Opium Suppression Superintendent's Office	4	520,000	130,000
December 1925 - April 1926	Single-company tax-farming system	Gongcheng Gongsi	Opium Suppression Bureau, part of Ministry of Finance	5	100,0000	200,000
May 1926 - September 1926	Multiple-company tax-farming system	Xingyuan Gongsi and other companies	Monopoly Sales Bureau (after July)	5	2,120,000	424,000

Source: Slack 2001, pp.76-79

²⁵³ Slack, *Opium, State, and Society*, pp. 74–78.

²⁵⁴ Slack, *Opium, State, and Society*, p. 79.

²⁵⁵ Slack, *Opium, State, and Society*, pp. 79, 81.

Table 7: Share of Opium taxes for government revenue in Canton

Year	government revenue in Mex. Silver \$	min. income from opium monopoly	min. share of opium revenue in %
1924	7,986,000	720,000	9,02
1925	19,015,801	x	x
1926	80,200,000	2,920,000	3,64

Source: Slack 2001, pp.76-79

4.3 Domestic production

While the time between 1906 and 1916 can be seen as a period of relatively successful opium suppression, native poppy cultivation resurfaced in the following years, soon coming close again to the numbers of the late Qing era. During the 1914-1919 period, only three percent of the crop area of the localities that had been examined by a contemporary study group of John L. Buck had been found to grow opium. Yet this number increased to 11 percent between 1924 and 1929 and further rose to 20 percent between 1929-1933 (see table 8).²⁵⁶ Estimations of total production in metric tons vary according to author: Xavier Paulès uses the numbers of American customs official Hosea Ballou Morse, who estimates the total amount of domestic opium production in 1906 at 22,500 tons a year, while production reached 18,000 tons between 1925 and 1937.²⁵⁷ Edward J. Slack, on the other hand, comes to the conclusion, that production at maximum varied between 15,485 long tons in 1924, and 12,457 long tons in 1935. His numbers, however, exclude production in Manchuria (Heilongjian, Jilin, Liaoning) and Rehe (see table 9).²⁵⁸

Table 8: Crop area dedicated to opium production in 13 reporting localities of China

Year	Percentage
1904-1909	14
1914-1919	3
1924-1929	11
1933	20

Source: Buck 1956, 217.

²⁵⁶ Buck, p. 217.

²⁵⁷ Paulès, *L'opium*, pp. 104–5.

²⁵⁸ Slack, *Opium, State, and Society*, p. 161.

Table 9: Opium Production in China in metric tons, 1924-1937

Year	High Estimate	Low Estimate
1924	15,240	7,620
1927		7,371
1930	12,065	
1934		5,843
1935	12,260	3,823
1936		1,608
1937		889

*excluding Manchuria and Rehe

Source: Slack, 2001, 161.

Compared to native production in the late Qing era, there were only slight shifts in areas of production. In the 1920s, Sichuan, Yunnan and Guizhou reemerged as the major centers of cultivation and produced between 5,000 to 15,000 tons of opium a year.²⁵⁹ If one takes the latter number for granted, this would amount to about 90 percent of worldwide production. In Yunnan, between 1906-1916 opium production had been almost completely eradicated – after 1917, opium production not only grew again, but was reorganized as well, making the province soon one of China’s biggest opium producers.²⁶⁰ Between 1921 and 1922, production increased by 50 percent, while tax income increased by 300 percent in one year.²⁶¹ For the period between 1929 and 1933, Buck estimates that a total of 2.9 percent of crop acreage in China proper was dedicated to poppy cultivation. The share of poppy cultivation in Sichuan and the southwestern rice region (Yunnan, Guizhou, and parts of Guangxi) were respectively 11.2 and 18.8 percent (see table 10).

²⁵⁹ Jennings, p. 68.

²⁶⁰ Baumlér, *The Chinese and Opium under the Republic*, p. 96.

²⁶¹ Walker, p. 35.

Table 10: Percentage of crop area occupied by opium, 1929-1933

All of China	2.9
Wheat Region	1.6
Rice Region	4.4
Sichuan Region	11.2
SW Rice Region	18.8

Source: Buck, p.212

The eastern provinces, some of which had been pioneers of native cultivation of opium in Late Qing times, over time became neglectable places of production and supplied mainly the local market. Of all things, in Fujian, where opium suppression had been one of the most successful in Late Qing times and the Early Republican Era, warlords were again massively profiting from the taxation of opium. Cheap and high-quality opium of the western provinces, however, increasingly drove brands from other regions away from the market.²⁶²

In Manchuria, the cultivation of poppy had been increasing from 1860 onward and was spread by the immigration of Han Chinese immigrants. As Jennings writes “by the end of the nineteenth century, poppy fields were in evidence all across Manchuria, and opium had become the third leading agricultural product in the northeast, surpassed only by the staples sorghum and soybeans.”²⁶³ In 1906 the Qing governments suppression campaign was also executed in Manchuria but didn’t have any long-lasting effects on production. Especially in the 1920s, warlords of the Fengtian clique would support opium production for revenue, as would the Japanese after the invasion of Manchuria in 1931.²⁶⁴ At the time of the Manchurian incident in 1931 the annual opium production of the province Jehol lay around 1,440,000 kilograms. After the province’s annexation in 1933 by the Japanese Manchukuo, authorities intended on increasingly concentrating Manchuria’s opium production in Jehol for supplying the official government monopoly.²⁶⁵

²⁶² Alan Baumler, ‘Opium Control versus Opium Suppression: The Origins of the 1935 Six-Year Plan to Eliminate Opium and Drugs’, in *Opium Regimes: China, Britain, and Japan, 1839-1952*, ed. by Timothy Brook and Bob Tadashi Wakabayashi (University of California Press, 2000), p. 273.

²⁶³ Jennings, p. 78.

²⁶⁴ Jennings, p. 79.

²⁶⁵ Jennings, pp. 83–84.

In the time between 1925 and 1937, poppy production was increasingly concentrating in a belt reaching from the northeast to the southwest, from Manchuria to Yunnan (see figure 1).²⁶⁶ According to Slack, provinces of heavy cultivation were Yunnan, Sichuan and Guizhou in western China, while provinces of medium cultivation were Shaanxi, Gansu, Henan, Anhui and Fujian in central China, and Rehe, Heilongjiang and Jilin in North China. Southern and eastern provinces had only light production for a small local market.²⁶⁷

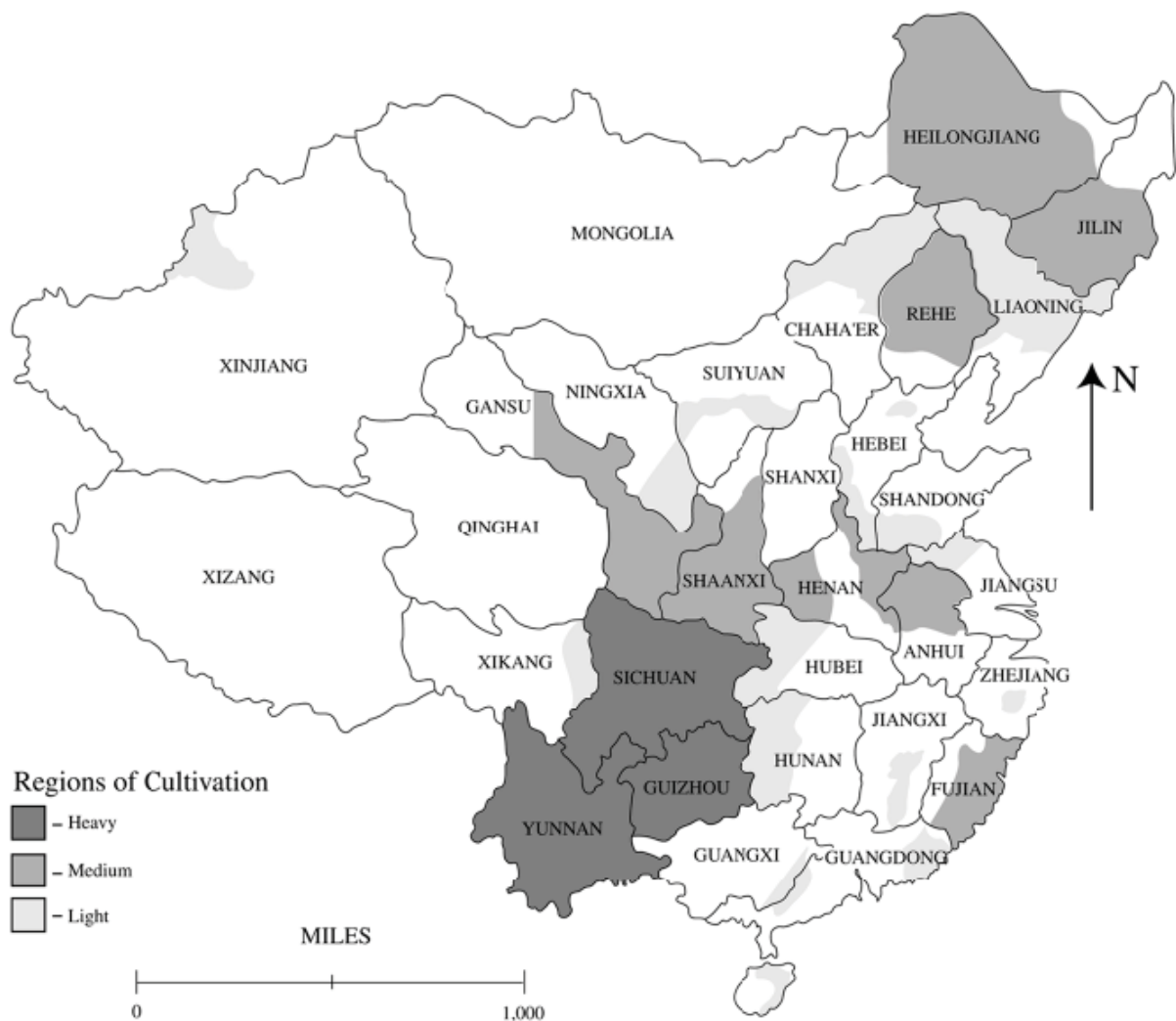


Figure 1: Poppy Production in China, 1925-1937

Source: Slack, 2001, 7.

The increasing share of acreage dedicated to the cultivation of poppy was partly responsible for the displacement of food crops that resulted in severe famines during the 1920s and 1930s. This effect, however, should not be overestimated as warlord misgovernment and the warfare of the

²⁶⁶ Paulès, *L'opium*, p. 105; Walker, p. 36.

²⁶⁷ Slack, *Opium, State, and Society*, p. 7.

era in general played the biggest part.²⁶⁸ According to Buck, between 1904 and 1929 crop failure was a recurrent danger, especially in the wheat growing areas of the North, which suffered from several draughts, floods and plagues of insects, while the rice growing regions of the South were in general less affected.²⁶⁹ Poppy production had a less drastic influence on nutrition in southwestern provinces such as Yunnan and Guizhou, where it was planted as a winter crop, but it aggravated the situation in central provinces such as Shaanxi, Shanxi and Gansu.²⁷⁰ In the central and northern provinces of China, winters were colder than in the southwest and poppy had to be more frequently grown during the summer time and was more likely to displace food crops than in the south. In the winter of 1920/1921 about half a million starved in Zhili (Hebei), Henan, Shandong, Shanxi and Shaanxi.²⁷¹ More than three million people died during the Northwest Famine 1928-1930, affecting the northern central opium growing provinces such as Shaanxi, Henan and Gansu.²⁷²

Sichuan, though being one of the western provinces and having a favorable climate, had a special position, since it was not only politically fragmented, but also had the highest share of poppy cultivation. It was confronted with major famines in 1925 and 1936, partly caused by the production and trade of opium.²⁷³ In the mid-1920s the extensive opium production and the focus on opium trade along the Yangzi river led to a tripling in the prices of rice, severely affecting the food situation.²⁷⁴ Food imports of China were high throughout the whole period from the mid-1920s until the mid-1930s, having their peak in 1931 with a share of 10.6 percent of all imports.²⁷⁵ As Slack estimates roughly, if the 4,144 km² of the agricultural area that were covered by poppy would have been dedicated to other crops, additional 420,000 tons of wheat or 1,250,000 tons of rice could have been harvested.²⁷⁶

²⁶⁸ Sheridan, p. 318.

²⁶⁹ Buck, p. 45.

²⁷⁰ Paulès, *L'opium*, p. 108.

²⁷¹ Pierre Fuller, 'North China Famine, 1920-21' <<http://www.disasterhistory.org/north-china-famine-1920-21>> [accessed 2 December 2017].

²⁷² Slack, *Opium, State, and Society*, p. 15; Paulès, *L'opium*, p. 109; Hal Baldwin, 'Northwest China Famine, 1928-30' <<http://www.disasterhistory.org/the-northwest-china-famine-1928-1930>> [accessed 2 December 2017].

²⁷³ Luke Heselwood, 'Sichuan Famine, 1925' <<http://www.disasterhistory.org/sichuan-famine-1925>> [accessed 8 December 2017]; Luke Kelly, 'Sichuan Famine, 1936-37' <<http://www.disasterhistory.org/sichuan-famine-1936-1937>> [accessed 8 December 2017].

²⁷⁴ Trocki, pp. 124-25.

²⁷⁵ Feuerwerker, 'Economic Trends, 1912-49', p. 124.

²⁷⁶ Slack, *Opium, State, and Society*, p. 15.

4.4 Trade networks

Opium production and trade was a big business not only providing revenue for warlords, but for secret societies, merchants and laborers as well. Extensive networks of transport and sale made the employment of packers, transporters, military escorts and dealers necessary, as well as the employment of people who worked in the thousands of opium dens across the country. By 1928, in Hankou, the major trans-shipment center of the Yangzi River transport route, 60 major opium transport and wholesale companies, 600 retail firms and 1,700 licensed opium dens were operating.²⁷⁷ By 1930, the city's trade was dominated by three opium wholesale companies with a capital of at least 100,000 yuan each.²⁷⁸

In Chongqing, in that period capital of Sichuan, in the late 1920s 16,000 of its 260,000 inhabitants were employed in the city's 1,500 opium dens and 57 opium manufactures.²⁷⁹ The transport of opium was usually organized in huge caravans, for example in Yunnan involving up to two hundred animals and two thousand men.²⁸⁰ In one case a caravan of about 4,000 coolies and 1,000 escort men was reported, heading from Yunnan to the port of Dongxi in Guangxi province, and would travel for about five months.²⁸¹ Huge sales of opium not only influenced the people who were directly involved, but the economy of a province as a whole. Opium sales were responsible for huge amounts of silver flows from one part of the country to another and could severely impact prices of other goods and exchange rates, a point to which I will come back later.

Merchants played the biggest part as dealers, reaching from small town merchants to full grown capitalist companies, and therefore played a big part in warlord opium policies. Slack identifies the following five-layered hierarchy of merchants in the warlord period opium business: 1) Rolling Merchants, who collected opium at the lowest regional level and resold it to bigger merchants, thus tying together the economies of the countryside and the market towns. They would for example make individual contracts with farmers or go from house to house in the time of harvest to buy the crop.²⁸² 2) Wholesale merchants, who were buying and selling the opium on a larger scale and would differentiate and pack it according to its properties. 3) Transport Merchants who would buy the opium from wholesalers and ship it further to bigger

²⁷⁷ Slack, *Opium, State, and Society*, p. 22.

²⁷⁸ Baumler, *The Chinese and Opium under the Republic*, p. 170.

²⁷⁹ Paulès, *L'opium*, p. 96.

²⁸⁰ Baumler, *The Chinese and Opium under the Republic*, p. 97.

²⁸¹ Paulès, *L'opium*, p. 118.

²⁸² Slack, *Opium, State, and Society*, p. 17.

cities and markets. Often these partnerships or joint ventures were highly capitalized companies, such as the Guangyuan Company in Kunmin, the Jiyi Zhuanyun Company in Yichang and Hankou, or the Sanxing Company in Shanghai. They were operating from enterprises in their hometowns while keeping branch offices in the key production centers and biggest marketing towns. Often, they would join cooperations with political leaders. In Yunnan for example, the Guangyuan Gongsì (Guangdong Transport Company), was founded by opium shippers in 1922 and would transport a major part of the locally produced opium from Kunming to Canton. About 58 percent of the company's financial resources were provided by warlord Tang Jiyao, while the rest was provided by local and Cantonese merchants.²⁸³ 4) Retail merchants would then buy the opium from wholesale or transport merchants, further selling it directly to customers or to the so called boiling merchants. When the Nationalists took over power in 1927, they would increasingly try to bring wholesale under their control, the retail system, however, was too large and complex to be fully monitored. 5) Boiling-opium merchants were those who would prepare the opium for smoking or into a paste, either in dens or on the streets in front of their shops and their customers.²⁸⁴

Morphine and heroin

By the mid-1920s opiate derivatives such as morphine and heroine increasingly joined opium on the Chinese market. Morphine imports started in the 1890s and increased from a mere 450 kg in 1892 to about 3,250 kg by 1901; numbers further increased during the 1910s. They were mostly brought to China via Qingdao, Dalian, Anding, Hong Kong and Macao, and Canton.²⁸⁵ Morphine and heroine were consumed via injection with syringes, but also in the form of “anti-opium pills” and “golden elixir”.²⁸⁶ At first they were mostly imported by Japanese and European traffickers, but soon refineries came into existence all over China. By 1922 the International Missionary Council reported about a dozen factories in Hebei, Henan, Hubei, Sichuan and Jiangsu, and eight more in the province of Sichuan alone.²⁸⁷ Especially Sichuan's capital Chengdu was a major location of domestic narcotics manufacturing. By 1934, American authorities asserted that Sichuan, Greater Shanghai, Beijing, Dalian, and the Guangdong Leased Territory were *the* centers of illegal morphine and heroin manufacturing in East Asia.²⁸⁸

²⁸³ Slack, *Opium, State, and Society*, p. 27.

²⁸⁴ Slack, *Opium, State, and Society*, pp. 17–18.

²⁸⁵ Dikötter, Xun, and Laamann, *Narcotic Culture*, p. 126.

²⁸⁶ Dikötter, Xun, and Laamann, *Narcotic Culture*, p. 128, 135.

²⁸⁷ Dikötter, Xun, and Laamann, *Narcotic Culture*, p. 140.

²⁸⁸ Dikötter, Xun, and Laamann, *Narcotic Culture*, p. 141.

At the beginning of the 20th century, Japan's pharmaceutical industry went through important changes. Being originally a net-importer of narcotics, after the Great War Japan emerged as one of the world's biggest producers and traders in narcotics, such as heroin and morphine. Prior to 1914, the country had been able to cover its demand mostly by importing cocaine from Germany and morphine from Great Britain, which was often first shipped to Japanese territories in China, where the extraterritorial privileges could keep it hidden from local custom officials. By 1908, European and American authorities had become aware of the Japanese narcotics shipments to China, but by 1915, however, Japan still imported about 10.2 tons of British morphine.²⁸⁹ During the Great War, the global demand for pain medication exploded and prices for opium and morphine increased sharply. Indian opium that had cost only 937 yen per chest in 1914, cost 2,336 yen in 1916, thus more than doubling in price. The resulting shipping shortages made it necessary to fill the missing gaps with domestic production, a policy that soon was actively supported by the Japanese government. Between 1915 and 1917, Japanese opium production quadrupled, with Hoshi Pharmaceuticals emerging as the most important producer. In 1917, the government decided to publicly release the formulas for the production of morphine and heroine, and further companies entered the competition.²⁹⁰ Another aggravating factor was probably posed by a disastrous earthquake that struck Japan in 1923: The government was forced to massively invest in building reconstruction and depreciating the yen, which had a boosting effect on exports in general.²⁹¹

²⁸⁹ Friman, pp. 41, 44; Walker, p. 30.

²⁹⁰ Jennings, pp. 43–45.

²⁹¹ Rothermund, p. 115.

4.5 Trade routes



Figure 2: Most important cities, rivers, and railways for the opium trade in central China (design by author)

Warlords massively used existing trading routes to channel opium through their tax stations to retrieve the necessary revenue for their continuing war efforts. By the mid and late 1920s the trading system was consolidated, which the Guomindang would later try to forcefully bring under their control during the Nanjing Decade. Three macro-regions of opium emerged across the country: the Northern Region in northwest China, Inner Mongolia and Manchuria; the Yangzi River Valley reaching from Western China to Shanghai; and finally, the Guangxi Corridor, connecting the Southern provinces from West to East.²⁹² These macro-regions were tied to specific trade routes of which the Yangzi River Route and the Guangxi Corridor would be of major importance for the Guomindang's state-building efforts, with Shanghai as the major destination for opium, followed by the cities Hankou and Canton (Guizhou). Warlord alliances were important in determining the trade routes and destinations that would be chosen. Depending on the allegiance of the current warlord in western Hunan, for example, opium from Yunnan

²⁹² Slack, *Opium, State, and Society*, p. 20.

and Guizhou would be either sent south to the Canton delta or along the Yangzi River to the East.²⁹³

The Yangzi River Route



Figure 3: Yangzi River Route with most important ports, dominating warlords and secret societies (design by author)

The most important trading route in matters of quantities of shipped opium was the Yangzi River Route, connecting Sichuan Province from Yibin to its capital Chongqing along the Yangzi River, with the cities Yichang and Hankou as most important in-between-stops on the way to Shanghai. Sichuan opium was the most prevalent type of opium on this route, accounting for 6,000 tons in 1925 alone, though huge shares of Guizhou and Yunnan opium were integrated into the system as well, being transported from Kunming through Guizhou and Hunan to the Yangzi River Valley.²⁹⁴

In the 1920s, different sections of the river were controlled by different warlords, who would set up tax stations to profit from the trade. The situation in Sichuan was especially complicated, as a clique of various warlords competed with each other. The taxation of the western section of the river between Yibin and Chongqing was controlled by Sichuan warlord Liu Wenhui and further shipped to Chongqing, where warlord Liu Xiang controlled the city and its surroundings. He would later align with Chiang Kai-shek, becoming the general commanding the 21st Army between 1926 and 1935, and one of the most powerful warlords of Sichuan, who supported the Guomindang's opium system.²⁹⁵

²⁹³ Sheridan, p. 296.

²⁹⁴ Baumlér, 'Opium Control versus Opium Suppression', p. 273; Slack, *Opium, State, and Society*, p. 26.

²⁹⁵ Baumlér, *The Chinese and Opium under the Republic*, p. 278.

The section between Yichang and Hankou until 1927 was under the control of Wu Peifu, military head of the Zhili warlord Clique and one of Chiang Kai-shek's biggest antagonists. Hankou had a special position in these trading networks as it was not only the natural gateway for opium coming from the western provinces to Shanghai, but also a destination of the Beijing-Hankou railway, that had been built in the 1890s.²⁹⁶ By the mid-1920s Wu Peifu held control over the provinces Hunan and Hubei and the railway line, therefore controlling a large part of the taxing of opium shipments passing along the Yangzi.²⁹⁷ By 1924 he had military governor Jiao Yaonan establish the Military-Police Supervisory Office that operated an opium monopoly and set up taxing stations in Yichang and Hankou. The generated revenues were used to finance his armies in the Second Zhili-Fengtian War and brought in about \$20-30 million per year for the military leaders of Hubei. After the conquest of the city by the National Revolutionary Army in 1927, the Guomindang would establish their own Special Tax Office, making use of the already established opium monopoly and taxing system. The wholesale and retail trade would then be controlled "technically in the name of the Ministry of Finance, but actually for the Guangxi Clique", Chiang Kai-shek's internal rivals in Canton.²⁹⁸ By 1928, Hankou alone had 60 major opium transport and wholesale companies operating in the city, as well as 600 retail firms and 1,700 licensed opium dens.²⁹⁹ By May 1929, Hankou would fall to the troops of Chiang Kai-shek and control over the Hankou tax office be given to him and his loyalists.

In their quest for collecting revenue, power holders along the Yangzi River were dependent on merchants and secret societies who would overtake the day to day transactions of the daily opium business. By the 1920s three major secret societies had consolidated their power in different sections of the river: The Brothers and Elders society was responsible for the shipments from Yibin to Hankou; the Red Gang would take over shipments along the river to Shanghai; and finally in Shanghai the Green Gang would organize further storage and sale of the drug, operating from their headquarter in the French Concession.³⁰⁰ There were paralleling structures between merchants and secret societies, though they were not similar. For example, opium merchants of the city Chaozhou in Guangdong, who organized the transport of opium to Shanghai, were largely organized in the Red Gang at the beginning of the 20th century.³⁰¹ Over time the Red Gang became increasingly enmeshed with the Green Gang, becoming then widely known

²⁹⁶ Slack, *Opium, State, and Society*, pp. 19–28.

²⁹⁷ Hsü, p. 525.

²⁹⁸ Baumler, *The Chinese and Opium under the Republic*, p. 158.

²⁹⁹ Slack, *Opium, State, and Society*, p. 22.

³⁰⁰ Slack, *Opium, State, and Society*, p. 23.

³⁰¹ Brian G. Martin, *The Shanghai Green Gang: Politics & Organized Crime, 1919-1937* (Berkeley: University of California Press, 1996), pp. 46–47.

as Green-Red Gang (*Qinghong Bang*).³⁰² For the Guomindang, especially ties to the Green Gang were of major importance in their quest for controlling the opium trade between Hankou and Shanghai. Throughout the 1930s the government would more and more undertake shipments by itself rather than relying on merchants.

The Guangxi Corridor



Figure 4: Most important cities, arms of the Pearl River System, and railway in the Guangxi Corridor (design by author)

The second most important route, the Guangxi Corridor, was used to deliver Yunnan and Guizhou opium via various on-land routes and along the arms of the Pearl River System through Guangxi to South China, especially Canton (Guangzhou), and French Indochina. According to Slack, “the primary collection and distribution centers in Yunnan were Kunming (Yunnanfu), Mengzi, Guangnan, Kaiyuan, Fuyuan and Funing.”³⁰³ A known transport route that has been used in 1916 was the delivering of opium from Yunnan to Guangxi via the city of Bose, where

³⁰² Slack, *Opium, State, and Society*, p. 23.

³⁰³ Slack, *Opium, State, and Society*, p. 26.

it would cost about 3 Chinese dollars. In Nanning the price would rise to 4.5 dollars, in Wuzhou to 5.5 dollars and when reaching Canton finally rise to 7 dollars.³⁰⁴

From 1925 onward, most of the Yunnanese opium was directed through the capital Kunming, where it could be more easily taxed.³⁰⁵ From there, it was further transported by allied merchants, either via caravans of packhorses and porters to the Yunnan-Guangxi border or along the Kunming-Haiphong Railway through French Indochina. If carried to the Yunnan-Guangxi border, the ware would be further shipped to Bose along the Youjiang River. If transported to French Indochina, caravans would then carry it to Jingxi in Guangxi from where it could be further transported to the port Dongxing and shipped to Canton.³⁰⁶

A part of the Yunnan opium was also transported by train to Haiphong in Vietnam from where it would be shipped to Canton by steamship.³⁰⁷ It is mentioned in a report of the Opium Advisory Committee of the year 1937, that in April 1936, 17 tons of Yunnan opium were transported from Kunming (Yunnanfu) by railway across French Indochina to Haiphong, from where it was shipped to Guangzhouwan, a French leased territory in South China, and used to supply the coast close to the Canton delta area.³⁰⁸

As Slack states, in Guizhou province, “Guiyang, Zunyi, Anshun, Tongren, Dushan, and Rongjiang” were the biggest markets for opium. From these cities, opium was transported with pack horses to the Guangxi border, from where it was transported via the West River (Xi he) to the Guangdong border, where it paid *lijin* taxes at Liusai, Du’an and Wuzhou, before being shipped to Canton.³⁰⁹

³⁰⁴ Paulès, *L’opium*, p. 33.

³⁰⁵ Baumlér, *The Chinese and Opium under the Republic*, p. 100.

³⁰⁶ Slack, *Opium, State, and Society*, pp. 26–27; Paulès, *L’opium*, p. 118.

³⁰⁷ Slack, *Opium, State, and Society*, p. 27.

³⁰⁸ ‘Advisory Committee on Traffic in Opium and Other Dangerous Drugs: Minutes of the Twenty-Second Session. Official No. : C.315.M.211.1937.XI.’, ed. by League of Nations, 1937, p. 57.

³⁰⁹ Slack, *Opium, State, and Society*, p. 27.

The Northern Region

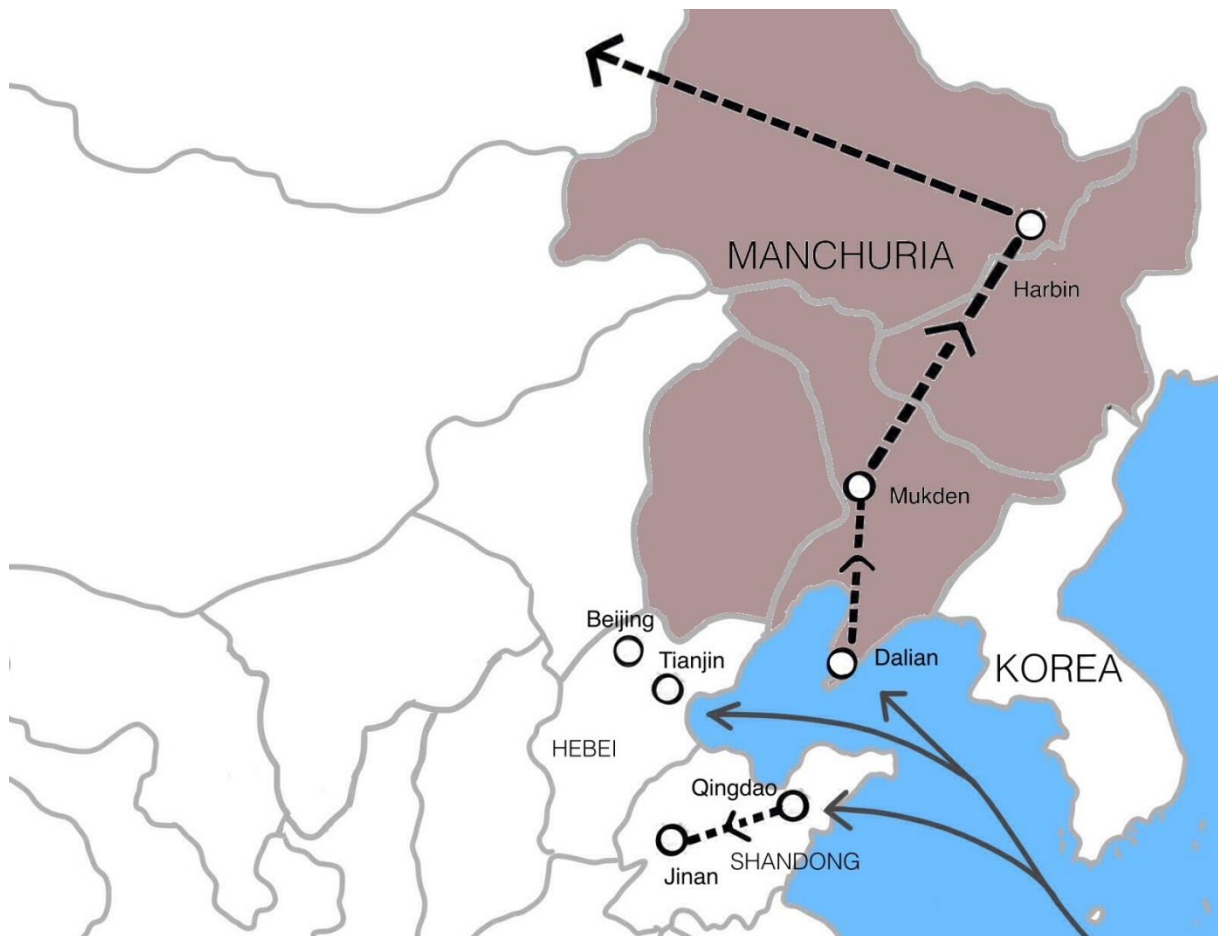


Figure 5: Selection of regions, ports, cities and train lines in northern China that were important for narcotics traffic

(design by author)

The third route was a network of connections between North and Northwest China, Inner Mongolia and Manchuria, relying on railway and on-land routes. Since the Russo-Japanese War of 1904-1905, Manchuria had been under Japanese influence, therefore, Japanese and Korean individuals played a large part in cultivation, production and trade of opium.³¹⁰ Japanese individuals mostly served as “chemists, wholesalers and importers, whereas Koreans or Chinese tended to run street-level opium retail outlets and dens”.³¹¹ The Japanese colonies of Shandong and the Guangdong Leased Territory with their ports Qingdao and Dalian served as major hubs for morphine and opium imports from Japan. In Dalian, it is estimated that between 1916-1920 about 50,000 pounds of morphine, manufactured in Great Britain and the USA, were imported from Japan, and spread along the South-Manchurian Railway to Northern China. It connected

³¹⁰ Slack, *Opium, State, and Society*, pp. 20–27; Jennings, pp. 51–58.

³¹¹ Smith, p. 31.

the port with the cities Mukden and Harbin, and then further lead to Manchuria and into the Soviet Union.³¹² From the port at Qingdao, the drugs would be transported via railway to Jinan, from where it was spread all over Shandong. Qingdao's hub position was overtaken by the Japanese concession in Tianjin, as soon as Shandong was returned under Chinese authority in 1922.³¹³ About 70 opium dens and one hundred retail shops were run in the Japanese concession of Tianjin during the 1920s. According to Guandong government official Fujiwara Tetsutaro, about 70 percent of the 5,000 Japanese habitants of Tianjing were dealing in morphine or other narcotics.³¹⁴ Even though Shandong was formally no longer under Japanese control, only a few years after its return to China, the province was setting up morphine and heroin manufactures on its own.³¹⁵

In north China, Harbin was one of the biggest drug markets in Manchuria and all of East Asia, with about one thousand illegal opium business that were supplied with Persian and Japanese opium. At least 10,000 Russians and 50,000 Chinese were using opium and other drugs in that city. Not only opium, but also opium derivatives such as morphine and heroin, were regular sold. Especially when opium prices soared in the late 1920s, many consumers switched to morphine as a cheaper and more potent alternative.³¹⁶

4.6 Opium and finance

During the Warlord Era, problems in maintaining a common currency grew. The tael as used in late Qing times proved to be increasingly unreliable as a unit of payment: In October 1923 the Chinese Economic Bulletin reported the existence of over 43 different exchange rates for the tael all over China, varying between 800 to 2,800 units of copper cash for one tael. This led to the people increasingly relying on the Mexican silver dollar as a means of payment for day-to-day transactions, even more so when trading across borders.³¹⁷ The Mexican silver dollar officially replaced the tael in 1933, in the course of a currency reform conducted by the central government, and was thereafter called Yuan. Additionally, warlords began issuing their own paper money and coins, with the result that each warlord territory had its own currency. The printed paper money would usually not be covered with reserves of specie and the

³¹² Alan A. Block, 'European Drug Traffic and Traffickers Between the Wars: The Policy of Suppression and Its Consequences', *Journal of Social History*, 23.2 (1989), 315–37 (p. 330).

³¹³ Jennings, pp. 51–53.

³¹⁴ Motohiro Kobayashi, 'Drug Operations by Resident Japanese in Tianjin', in *Opium Regimes: China, Britain, And Japan, 1839-1952*, ed. by Timothy Brook and Bob Tadashi Wakabayashi, 2000, p. 157.

³¹⁵ Jennings, pp. 51–53.

³¹⁶ Smith, p. 29.

³¹⁷ Slack, *Opium, State, and Society*, p. 29.

cooperation of the government with the provincial banks in terms of currency was lacking. About 30,000 kinds of paper currency, mostly denominated in Mexican Silver Dollar or Yuan, circulated between 1900 and 1935.³¹⁸ One can thus, without a doubt, speak of a chaotic monetary policy during the Republican period. It is no surprise that opium, as a commodity with a constant high price level, would play an important role for banks and merchants to back their finances.

On one hand, merchants and warlords alike would often use small native banks as well as larger national and foreign banks to finance their opium business. On the other hand, opium firms themselves would engage in banking activities or found banks. For example, 27.5 percent of all native banks in Shanghai that had been founded between 1912 and 1926 were founded by opium merchants, leading to an enmeshing of drug money and “earnest” capital.³¹⁹ In Guangxi, in the mid-1920s, the government confiscated 700,000 liang of opium in Bose, which were turned into three million Yuan of revenue that were used to solve the liquidity problem of the provincial bank and helped to consolidate the province’s ravished economy. The money was also used to extend roads and infrastructure for transport, build schools and even found the provinces first university.³²⁰ Chiang Kai-shek’s Farmer’s Bank as well was founded with opium money, with the aim of financing opium business, a point to which I will come back later.

The warlords stashing of governmental and private savings into banks influenced liquidity and exchange rates in the whole country. For example, from 1920 to 1927 warlord Tang Jiyao used the Fudian Bank to store large sums of money that had been collected as opium tax by his provincial suppression bureaus. The Fudian Bank on the other hand was actively lending money to opium merchants. This might sound like an attractive mutual beneficial arrangement – the government would be storing money at a bank, which would then be lent to opium merchants who would further pay taxes to the government. When Tang Jiyao, however, intended to set aside his savings for his own retirement in 1927, he transferred all his money – denominated at about 10 million USD – from Yunnan banks to the British-operated Hong Kong Shanghai Bank, and caused severe financial problems for the whole province of Yunnan.³²¹

Similar problems occurred in other southwestern provinces: In 1925, the massive lending of the American Oriental Bank of Sichuan to opium traders led to a rise of interest rates from 9 to 16 percent. Three weeks later, the selling and shipping of 60 tons of opium from Yunnan along the

³¹⁸ Slack, *Opium, State, and Society*, pp. 28–29.

³¹⁹ Slack, *Opium, State, and Society*, pp. 30–31.

³²⁰ Dong, pp. 129–30.

³²¹ Slack, *Opium, State, and Society*, p. 31.

Yangzi river led to a fall of 6.8 percent in the exchange rate of the Shanghai and the Chongqing taels, because of the large amount of silver that flowed to Yunnan. In 1928, on the other hand, the expectation of a large shipment of opium passing through the Guangxi Corridor led to the Yunnan dollar rising 14 percent against the US dollar.³²²

5. Opium and state building under the Guomintang, 1927-1937

While Yuan Shikai, his successors and other warlords had failed at unifying the country, the Guomintang were able to conquer large parts of the country during the Northern Expedition (1926-1928) and set up a new capital in Nanjing by 1927. The Northern expedition was the result of an alliance between Guangxi and Guangdong warlords after the death of founder Sun Yat-sen, which was possible due to Guangxi's victory in the Yunnan-Guangxi war and the replacement of the old Guangxi Clique by the new one. In March 1926, the Guangxi and the Guangdong governments formed an alliance and prepared for the Northern Expedition to unify the country.³²³ Opium was an important tool in the quest of financing armies, breaking warlord rule and recentralizing political authority.

By the time the Guomintang had established their headquarter in Nanjing in 1927, military spending had left them with crippling financial deficits. Not only was the continuing warfare costly, but the official international recognition of the Nationalist government in 1928, also meant that the administration had to accept the inheritance of the debts of the Qing Empire as well as the Beiyang administration. Great Britain and other foreign creditors had made it clear, that further foreign loans to China would only be given under the condition that the regime would pay off the debts of its political predecessors.³²⁴ The worldwide economic crisis of 1929 depressed global credit markets, leading to the Guomintang relying on domestic rather than foreign loans, while seeking additional means to finance the continuing military struggles with communists and warlords, and the daily costs of government administration. Nevertheless, between 1929 and 1935 the nationalist government was able to increase its revenue by over 150 percent. One of the central means to achieve financial security and independence was the struggle for control over the country's opium trade, especially over the Yangzi River route, trying to force as much trade as possible through Hankou, where opium would be taxed and further

³²² Slack, *Opium, State, and Society*, p. 32.

³²³ Dong, p. 124.

³²⁴ Chen, p. 76.

transited to Shanghai.³²⁵ In 1933, the US Department of State estimated the value of the traded amount of opium at about two billion dollar annually, while the GDP of China at that time was estimated at about 29 billion Mexican silver dollars. That meant that 7 percent of the country's GDP in that year had come from the opium business, indicating that there was a lot of revenue potential in taxing the trade.³²⁶ When the Guomindang in the late 1920s arrived in Hankou and Shanghai, their mission was not so much to establish a new system, but to ensure control over the existing structures.

5.1 Extending the Opium Monopoly

After the conquest of Beijing in 1928, the Guomindang government launched a Three-Year-Plan for the prohibition of opium, supposed to be run between 1928 and 1930. According to this plan, the country was divided into three regions, who should one after the other abolish opium trade. The principle task of the Anti-Opium institutions, however, was the collection of opium taxes.³²⁷ When in September 1926, the troops of the Guomindang had defeated the troops of warlord Wu Peifu and conquered the Wuhan region, one of finance minister T.V. Soong's first task was to rationalize the tax system according to the system he had established in Canton. Immediately, an Opium Suppression Office was established in Hankou under the leadership of the ministry of finance, which taxed opium using the structures that had been established by Wu Peifu's administration. After internal struggles in the party, Chiang Kai-shek split with the Wuhan regime and set up his rival regime in Nanjing, establishing his own Opium Suppression Bureaus in Shanghai and Nanjing. Meanwhile in the provinces of Zhejiang and Jiangsu his government was farming out monopoly systems, officially responsible for the sale of 'opium-cure medicine' since much of the Nanjing's governments public legitimacy lay in the promise of opium suppression.³²⁸ When Chiang finally took over control of Hankou in 1929 he gave responsibility of the tax office to loyalist Huang Zhenxing.³²⁹

By 1931, the Hankou office was employing 30 men in its main office and had further six offices up and down the Han River (an arm of the Yangzi River reaching northwards from Hankou) to ensure control over the wholesale trade and prevent smuggling. By 1932, the offices control was further extended to Jiangsu province and Shanghai. Monthly revenues accounted for at

³²⁵ Prasenjit Duara, 'State Involution: A Study of Local Finances in North China, 1911-1935', *Comparative Studies in Society and History*, 29.1 (1987), 132-61 (p. 139).

³²⁶ Slack, *Opium, State, and Society*, p. 33.

³²⁷ Dong, p. 141.

³²⁸ Slack, *Opium, State, and Society*, pp. 80-81.

³²⁹ Bauml, *The Chinese and Opium under the Republic*, p. 158.

least one million silver dollars between 1929 and 1930 and were a welcomed source for the financing of the ongoing campaigns against the communists.³³⁰ In June 1933, Chiang Kai-shek sent one of his agents to Hankou to bring the creation of the Farmer's Bank into motion. He made a demand on 25 opium houses to each pay an investment of 20,000 yuan into the bank, while another half million Yuan were to be invested by the government. However, only four opium houses were able to comply.³³¹ Nevertheless the bank enabled the smooth run of business and supplied opium merchants with the loans they needed to buy opium and pay their taxes. In fact, taxes owed to the government could be directly paid to the Farmer's Bank.³³²

The extension of the Hankou opium monopoly after 1933, was deeply connected to the establishing of control over the Shanghai opium trade. As much as the Hankou Tax Office resembled a government monopoly on opium, it remained an unofficial project: In public, the government followed an opium prohibition policy, while secretly receiving revenue from the trade. Struggles with the different interest groups involved in the trade – especially the Green Gang in Shanghai – and opposition from the National Anti-Opium Society hindered the government's efforts to make the monopoly official, and the opium taxing business remained illegal. The time between 1927 and 1931 saw various attempts to reach monopoly agreements with the Green Gang in Shanghai, which all were deemed to fail. The Green Gang had the advantage of acting out of the Shanghai French Concession, where they had arrangements with the French police who tolerated the opium business and protected Green Gang boss Du Yuesheng and his Three Prosperity Company. It was only after the Japanese invasion of Shanghai and the following crisis between 1931-1933 that an agreement could be reached.³³³

The Shanghai Opium Monopoly and the Green Gang

Early on, attempts had been made to establish an opium monopoly in Shanghai. By mid-1927, the Contraband Substances Inspection Office was established in the city and later replaced by the Shanghai Opium Suppression Bureau, being responsible for Shanghai and the surrounding provinces Zhejiang and Jiangsu. The opium monopoly was farmed out to the Xinyuan company for 15.4 million silver dollars a year and subcontracted to the Zhongxing and the Dazheng companies. The employees of the monopoly engaged in corruption and arbitrary searches of houses and shops and were at the same time submitted to the competition of the Green Gang which

³³⁰ Baumlér, 'Opium Control versus Opium Suppression', pp. 274–75.

³³¹ Dong, pp. 160–61.

³³² Baumlér, 'Opium Control versus Opium Suppression', pp. 274–75.

³³³ Brian G. Martin, 'The Green Gang and the Guomindang State: Du Yuesheng and the Politics of Shanghai, 1927-37', *The Journal of Asian Studies*, 54.1 (1995), 64–92.

firmly held the Shanghai trade in its hands. Soon, the company lacked behind in payments and the contract was ended by the government in November 1927. It would take until 1932 till an agreement with the Green Gang and their head Du Yuesheng would be found and the Shanghai monopoly would have been reestablished.³³⁴

During the 1920s and 1930s Shanghai was subject to massive demographic and social changes. The city emerged as an industrial and financial center and due to mass immigration, the population tripled from one million in 1910 to three million in 1930. In the 1920s and 1930s about 100,000 gangsters were active in the city, mostly organized in the Green Gang that was led by a triumvirate of Du Yuesheng, Huang Jinrong and Zheng Xiaolin in the French Concession.³³⁵ By April 1925 they had managed to find an agreement with the police in the French Concession to “fermer les yeux” and were able to conduct their business with military and police protection.³³⁶ The Green Gang was not only the key to the city’s opium business, but was the main factor that helped the Guomindang to undermine communist power in the various labor unions. They would participate in the anti-communist coup of April 12, 1927, also known as Shanghai massacre, in which hundreds of Communists were brutally murdered. As a result, the Green Gang bosses received military titles and Du was appointed chief Communist suppression agent for Shanghai by 1931.³³⁷

The ties between the Guomindang and the Green Gang, however, were rather unstable. This only changed in the course of the Japanese invasion. In 1931 Japan invaded Manchuria and in 1932 Japanese soldiers reached Shanghai. The incident led to the temporary breakdown of public administration and weakened the network of the Green Gang. French authorities used the situation to get rid of Du Yuesheng’s gambling and opium business in the Shanghai French Concession, thus undermining his powerbase.³³⁸ In consequence, by late 1932 it came to an agreement between Du Yuesheng and the Guomindang, as he had to seek new arrangements for the protection of his business. Du became the leading tax farmer in Shanghai and the surrounding area for the nationalist government.³³⁹

³³⁴ Slack, *Opium, State, and Society*, pp. 81–82.

³³⁵ Martin, *The Shanghai Green Gang*, pp. 64–65.

³³⁶ Walker, p. 49.

³³⁷ Frederic Jr. Wakeman, *Policing Shanghai, 1927-1937* (University of California Press, 1995), pp. 124–25.

³³⁸ Martin, ‘The Green Gang and the Guomindang State’, pp. 68–69.

³³⁹ Martin, ‘The Green Gang and the Guomindang State’, p. 82.

The Hankou Special Tax Office

The development in Shanghai enabled the government to exercise tighter control over the Yangzi River route. The tax office in Hankou was reorganized into the Opium Suppression Inspectorate and the corrupt Huang Zhenxing dismissed, while a new river police, provided with 15,000 men, was set up to patrol the river. This measure was to ensure the end of smuggling and should further push along the monopolization and standardization of opium trade. The agreement with Du and the networks of the Green Gang ensured the Guomindang a broader basis of power and helped to enhance the governments grip over the trade. For example, in 1934 the illegal shipment of 500 tons opium from Yunnan to Shanghai could be prevented through the cooperation of officials of Warlord Liu Xiang in Sichuan and Du Yuesheng in Shanghai.³⁴⁰

By 1934, all the major ports of the Yangzi were integrated into the taxing system and increasing amounts of opium could be channeled through Hankou. Numbers grew from 2,712 tons of taxed opium in 1933 to 8,925 tons in 1935, and started sinking again when in 1936 the Six-Year Plan for the Suppression of Opium was introduced (see table 11).³⁴¹ In the 21st minutes of the Opium Advisory Committee of 1936 it is stated that the Supervisory Bureau for the Suppression of Opium in 1934 received annual revenues of at least 20 million yuan. The sales of raw opium in Shanghai, Hankow and the nine provinces, that were allowed to grow opium, was estimated at a total of 51,898,599 tael of weight or 1,960 tons (see table 12).³⁴²

Table 11: Amount of monopoly opium taxed at Hankou, 1929-1937

Year	Metric Tons
1929	3,780
1930	4,422
1931	2,646
1932	2,263
1933	2,712
1934	4,762
1935	8,925
1936	7,937

Source: Slack, 2001, 173.

³⁴⁰ Baumlér, 'Opium Control versus Opium Suppression', pp. 276–78.

³⁴¹ Baumlér, 'Opium Control versus Opium Suppression', pp. 276–77; Slack, *Opium, State, and Society*, p. 173.

³⁴² 'Advisory Committee on Traffic in Opium and Other Dangerous Drugs: Minutes of the Twenty-First Session. Official No. : C.290.M.176.1936.XI.', ed. by League of Nations, 1936, p. 54.

Table 12: Sales of raw opium by *hongs* and retailers in Shanghai, Hankou and nine other provinces

Location	Tael (as a unit of weight)
Shanghai	11,914,816.00
Hankou	6,965,031.50
Jiangsu	1,676,951.00
Anhui	3,810,241.00
Jiangxi	1,526,381.00
Fujian	902,407.00
Hunan	8,500,449.00
Zhili/Hubei	1,730,736.56
Henan	7,330,354.25
Shaanxi	5,478,600.00
Gansu	2,062,632.00
TOTAL	51,898,599.31

Source: OAC, Minutes of the Twenty First Session, 1936, p54

5.2 The Six-Year Plan to Eliminate Opium and Drugs

In 1934, June 23, Chiang Kai-shek declared to launch a campaign with the goal of stopping the cultivation, transport, use and sale of opium within six years.³⁴³ In the course of this Six-Year-Plan a new administrative structure was set up. The Anti-Opium Commission was replaced by a new Central Anti-Opium Commission that was headed by Chiang himself who held the title of Supreme Opium Suppression Inspector. The aim was to centralize campaign planning and put it more tightly under Chiang's personal control. The new administration went as far as rendering all licenses regarding opium smoking and selling, that had been issued under the old administration, as invalid.³⁴⁴

While before 1935, the government had mainly tried to exercise control over the wholesale system and only partly over retailers, the new system expanded the focus onto the cultivators of poppy and the smokers of opium. It was basically a licensing scheme: Licensed growers in the western provinces were supposed to produce gradually decreasing amounts of opium for the Opium Suppression Inspectorate, which would then be distributed only to registered users. The proclaimed goal was to cure users of their addiction through supplying them with decreasing dosages of opium. If they could not "cure" themselves, they had to visit rehab clinics under the threat of punishment by death if they refused. Only people over 60 could smoke indefinitely. Officially assigned dosages were very low, sometimes only one tenth to two tenth of an ounce,

³⁴³ Slack, *Opium, State, and Society*, p. 105.

³⁴⁴ Baumlér, *The Chinese and Opium under the Republic*, pp. 178–80.

although experienced users would smoke up to two ounces in one smoking session.³⁴⁵ By 1937, only four million people were registered in such a way. Also, students, members of the government, the party, the military and residents of Nanjing and Xiangshan (birthplace of Sun Yat-sen) were not allowed to smoke or register. Behind this measure stood the belief that members of the societal elite were supposed to act as role models and therefore could not be allowed to use opium.³⁴⁶

Not only was the available amount too low for addicts, but the prices were hardly affordable for poor workers. Consequently, many turned to morphine and heroin as a cheaper substitute, often in the form of powders and pills. Already by the early 1930s, over 50 morphine-containing “anti-opium” pills had been on the market. Heroin, for example, was sold in the form of “red pills”, which were soon forbidden and replaced by “golden elixir”. Not only were heroin pills five times cheaper than opium, but had the advantage that they were light, compact and odorless and could easily be smuggled and prepared. And just like opium they could be smoked using a pipe, a needle and a lamp.³⁴⁷

Another centerpiece of the plan were the rehab clinics, whose employees often treated their patients with brutal force. The stay inside the clinic had to be paid by the clients, who had to take part in forced labor. In Nanjing, for example, patients who could not pay, had to work eight hours every day for three months.³⁴⁸ The number of such clinics grew from 41 in 1936, to 1,599 by 1936 and they were mostly treating men. After 1940, it was announced by the government that people who were still considered opium addicts were to be shot when they had been at least once in a clinic before.³⁴⁹

From 1935 onwards, executions due to drug delicts became a frequent occurrence in the official opium policy – especially in the capital Nanjing that had been declared drug free and had to live up to that proclaimed standard.³⁵⁰ By the end of 1935, 800 drug offenders were executed, the majority of which in Shanghai with a number of 620 executions.³⁵¹ Together with the Six-Year-Plan of eliminating opium came a Two-Year-Plan of eliminating what the state labeled as “drugs” – namely morphine, heroin, cocaine and other manufactured narcotics. While opium fallacies were still treated with a sort of mildness, drug dealers could expect no mercy. Of the

³⁴⁵ Baumler, *The Chinese and Opium under the Republic*, pp. 209, 202.

³⁴⁶ Baumler, *The Chinese and Opium under the Republic*, pp. 200, 205.

³⁴⁷ Dikötter, Xun, and Laamann, *Narcotic Culture*, pp. 120, 127–35.

³⁴⁸ Dikötter, Xun, and Laamann, *Narcotic Culture*, p. 110.

³⁴⁹ Baumler, *The Chinese and Opium under the Republic*, pp. 206, 208–9.

³⁵⁰ Baumler, *The Chinese and Opium under the Republic*, p. 210.

³⁵¹ Dikötter, Xun, and Laamann, *Narcotic Culture*, p. 119.

355 executions in 1937, only 5 were due to opium fallacies, whereas 350 were due to drug fallacies – even though 30,000 arrests in cases of opium dealing stood against only 4,500 cases of drug dealing. As Baumler puts it: “Opium was part of China’s political economy, morphine was not.”³⁵²

According to Dikötter, prisons were soon overcrowded. For example, in December 1934, a major anti-drug campaign in Nanjing led to a doubling of these numbers of prisoners in the city. Conditions in these cells were horrifying: Prisons lacked medical care and diseases were easily spread, when prison officers put healthy smokers together with the sick, which was a frequent occurrence since opium after all was widely used for medical reasons. As a result, about 10 percent of all prisoners died. Victims of this system were mostly “socially marginalized groups of young, poor and unemployed men”³⁵³, as rich addicts were often let off the hook or given preferable rooms in the detox clinics.³⁵⁴ In parts of Shandong, after 1936, poor opium addicts were tattooed a cross of two inches in size on their forearm to mark and stigmatize them.³⁵⁵

How was it possible, that a regime that had profited so massively from a secret opium monopoly in the late 1920s and early 1930s now set sail to end opium traffic, seemingly once and forever, with such brutal force? Two reasons were essential for the tightening of anti-opium laws: 1) Opium as a financial source for warlords and internal rivals threatened the political power of Chiang Kai-shek. 2) The public and moral legitimacy of the government towards its own population, but also towards the international community, was tied to its perceived capacity of being able to suppress opium.

5.3 Opium and political power

As much revenue as the government earned through the taxation of the trade, as much danger was posed through the possibility of warlords and political opponents in acquiring a source of revenue that would rend them independent from the central government. By 1934, the important warlords had been brought under the authority of the Guomindang, but there was still residual warlordism in the officially controlled areas in the East, and the warlords in the southwest were only formally associated with the regime.³⁵⁶ Opium revenue again and again enabled the central government’s opponents to maintain independence and pursue militarist efforts. Bringing

³⁵² Baumler, *The Chinese and Opium under the Republic*, p. 195.

³⁵³ Dikötter, Xun, and Laamann, *Narcotic Culture*, p. 112.

³⁵⁴ Dikötter, Xun, and Laamann, *Narcotic Culture*, pp. 105–6.

³⁵⁵ Dikötter, Xun, and Laamann, *Narcotic Culture*, p. 112.

³⁵⁶ Baumler, ‘Opium Control versus Opium Suppression’, p. 279.

opium trade under control thus was a matter of power centralization, ending the opium trade, however, was a matter of power keeping.

In opium provinces not under Guomintang jurisdiction, Chiang Kai-shek had tried to ensure the loyalty of rulers through different contracts. This would, however, not prevent their rulers from finding loopholes and ways to circumvent Guomintang control. For example, in 1935 allied Sichuan warlord Liu Xiang founded the Sichuan New Goods Bank, which threatened central interests. A lot of control was exercised via Chiang's Farmer's Bank who financed a large part of opium shipments by giving loans to merchants – therefore the founding of the Sichuan New Goods Bank served the purpose of undermining the Farmer's bank influence on Sichuanese merchants and instead put them under Liu's control.³⁵⁷

In the province of Yunnan, before 1935 it was not possible to fully bring the trade under the central government's control. Subsequently Yunnan was one of the most independent provinces due to its opium revenues. After the launching of the Six-Year Plan, however, the government was able to openly criticize Yunnan warlord Long Yun without risking the reveal of its own secret opium business. This made it possible to slowly force Yunnan into the central opium system and force Long to reduce opium production and instead focus on tin exports.³⁵⁸ The Yunnan trade was fully monopolized under the Special Goods Monopoly Transportation Office and the province's three major opium dealers were integrated into the system, before being pushed out by the government to nationalize the monopoly.³⁵⁹

Opium ignited internal tension between the government and the military as well. In Hunan, by 1933 the Anti Opium Inspectorate officially closed-down the Hong River route, to channel opium through their tax stations, but the 10th Army of Xu Yuanquan, which was stationed in the capital Changsha, began selling opium independently. This made it necessary to send further troops to Hunan to handle the affair.³⁶⁰

5.4 Opium and legitimacy

“The modern state is a sovereign state. ...There is one further fundamental feature of sovereignty. It is a claim, and claims have little meaning unless they are

³⁵⁷ Baumer, *The Chinese and Opium under the Republic*, pp. 164–68.

³⁵⁸ Baumer, ‘Opium Control versus Opium Suppression’, pp. 288–89.

³⁵⁹ Baumer, *The Chinese and Opium under the Republic*, pp. 99–102.

³⁶⁰ Baumer, *The Chinese and Opium under the Republic*, p. 168.

recognized by others. ... Sovereignty is more than anything else a matter of legitimacy.”³⁶¹

These were the words used by Wallerstein to describe the situation of a modern state in the interstate system. But the same is true for the legitimacy of authorities towards the own population. The suppression of opium was a matter of public moral and legitimacy – towards the own population as well as towards the international community. Control and suppression of opium meant reconciliation with a growing intellectual and bourgeois class in the cities that opposed the drug. It also stood for national independence and provided a method of counteracting the presence of increasing Japanese imperialist aggression. Japanese citizens and organizations were heavily involved in the opium trade, and mainly responsible for the growing supply of illicit heroin and morphine that flooded mainland China via the Japanese Concessions of Shandong, Kwangtung Leased Territory and after 1931 Manchuria.³⁶² Making China a model country in matters of narcotics control also meant to ensure international support against Japanese aggression.

The public and the civil society

No government could afford to openly pursue a condemned practice when intending to rule on a popular basis.³⁶³ There was wide opposition in Chinese public against the opium trade, especially from the intellectual and bourgeois elite in the Treaty Ports, Chinese Christians and the National Anti-Opium Society (NAOA). Slack points out that in its 13 years of existence, the NAOA took on “the leading popular voice for prohibition in China”.³⁶⁴ On August 5, 1924, 500 people from the heavily Christian influenced Anti-Narcotic Commission gathered together with members from the non-Christian urban elites in the General Chamber of Commerce in Shanghai, to found the NAOA and prepare for the Geneva conference.³⁶⁵ Their three principle aims were the enforcement of prohibition laws, the limitation of drug imports, and the promotion of anti-narcotics education together with the treatment of addicts. The means for reaching these goals were educating the public with pamphlets, books and periodicals. Every year they would celebrate anti-opium days and later even whole weeks to bring awareness to the public opinion and put pressure on governments. But they would also directly appeal to warlords and later the

³⁶¹ Wallerstein, pp. 42, 44.

³⁶² Kobayashi.

³⁶³ Baumler, ‘Opium Control versus Opium Suppression’, p. 271.

³⁶⁴ Edward R. Slack, ‘The National Anti-Opium Association and the Guomindang State, 1924-1937’, in *Opium Regimes. China, Britain, and Japan, 1839-1952*, ed. by Timothy Brook and Bob Tadashi Wakabayashi (Berkeley: University of California Press, 2000), p. 249.

³⁶⁵ Slack, ‘The National Anti-Opium Association’, p. 250.

Guomindang government. In its efforts the NAOA was active in the opium ridden cities along the Yangzi river and in Manchuria, and growing “from 188 branch associations in 1924 to 450 in 1930”.³⁶⁶ The NAOA was at times able to put serious pressure on governments: When in 1925 president Duan Qirui intended to legalize opium, the NAOA successfully campaigned against him, until the proposal was withdrawn. They would go as far as doing their own investigations and revealing names of perpetrators. For example, in 1926 a list was published by the NAOA, containing the names of 36 opium shops in the French concession of Shanghai, forcing the authorities to conduct police raids to keep up the appearance of enforcing suppression.³⁶⁷ With the enactment of the Six-Year Plan, the government had a new means of displaying legitimacy, by publicly focusing on the elimination of opium and drug consumption, and the NAOA was shut down shortly after that plan was launched.³⁶⁸

During the Nanjing decade, from the beginning all monopoly bureaus and taxing stations were officially acting as Opium Suppression Bureaus. Due to the clandestine nature of their undertakings and the lack of central control, they were prone to frequent scandals. In many cases illegal trading agreements were publicly revealed and damaged the governments reputation. One of such cases occurred when medical morphine was to be refined under the supervision of Du Yuesheng, who instead refined morphine for the illicit market.³⁶⁹ Though European sources remained the major supplier of morphine and heroin in that time, Shanghai-produced heroin pills could be found as early as 1921 in the city. Through the French concession they were further smuggled to France and the United States, worrying the foreign authorities. Only after 1933, when the power basis of the Guomindang in the French concession had been eroded and an agreement had been reached with the Guomindang, did Shanghai’s narcotics production decline.³⁷⁰ The danger of scandals and the increase in control were probably important factors in the decision to launch the Six-Year Plan.

In a speech in February 1936, Chiang Kai-shek did not put the blame of the opium problem on foreigners but emphasized the need for determination and faith in the government to get rid of the opium problem “and prove to the world that the Chinese were a strong race.”³⁷¹ The campaign was brought into connection with the New Life Movement (*Xinshenghuo yundong*), a

³⁶⁶ Slack, ‘The National Anti-Opium Association’, p. 252.

³⁶⁷ Slack, ‘The National Anti-Opium Association’, p. 254.

³⁶⁸ Baumlér, ‘Opium Control versus Opium Suppression’, p. 287.

³⁶⁹ Martin, ‘The Green Gang and the Guomindang State’, p. 83.

³⁷⁰ Block, p. 329; John Strang, Paul Griffiths, and Michael Gossop, ‘Heroin Smoking by “Chasing the Dragon”: Origins and History’, *Addiction*, 92.6 (1997), 673–83 (p. 674).

³⁷¹ Baumlér, *The Chinese and Opium under the Republic*, p. 178.

political mass mobilization campaign that had been launched in February 1934, and intended to propagate the virtues of “propriety, righteousness, integrity, and sense of shame”.³⁷² Though both campaigns were managed by separate administrations, opium suppression had been a matter of the New Life Movement as well, and served as a potential topic for mass mobilization. Slack describes this mass campaign as “an eclectic mix of Confucianism, Christianity, Fascism, and martial values”.³⁷³ In early 1934, the New Life Movement was for the first time used to spread the anti-opium message. In the course of a massive public parade in Nanjing anti-opium and anti-drug pamphlets were handed out, and in December 1934 the police received order by Chiang Kai-shek to arrest all opium smokers of the city.³⁷⁴

The international community

After the First World War and the tremendous surplus of opiates it had created, the international trend went towards the regulation of the trade and use in opiates and other drugs. A total of six multinational agreements between 1915-1939 were dedicated to trade, production and consumption of narcotics. In January 1912, the convention of The Hague was signed by China, Netherlands, USA, Honduras and Norway, demanding the signing countries to restrict the number of ports through which cocaine and opiates were exported, and was later even included into the Treaty of Versailles.³⁷⁵ Opium policy was a crucial topic in the formation of the system of modern international diplomatic institutions. The surplus of narcotics after the First World War was a great concern for states and NGOs alike. In 1918 the International Anti-Opium Association (IAOA) was founded by the British physician W.H. Graham in China, soon having 20 branch organizations in 11 provinces. When in 1919 the League of Nations was founded, the IAOA lobbied for the creation of an Advisory Committee on Trafficking in Opium (OAC), which established the Opium Control Board as responsible institution for the administering of the International Opium Convention.³⁷⁶

During the Geneva Convention of February 1925, the “Agreement Concerning the Manufacture of International Trade in, and the Use of Prepared Opium” was signed by 41 countries, and at an additional meeting in 1928 compulsory drug import certificates and a drug export authorization system were established. The Opium Control Board was replaced by the Permanent

³⁷² Baumlér, *The Chinese and Opium under the Republic*, p. 179.

³⁷³ Slack, *Opium, State, and Society*, p. 106.

³⁷⁴ Slack, *Opium, State, and Society*, p. 107.

³⁷⁵ Julia Buxton, *The Political Economy of Narcotics: Production, Consumption and Global Markets* (London: Zed Books, 2006), pp. 38–40.

³⁷⁶ Slack, ‘The National Anti-Opium Association’, p. 249.

Central Opium Board (PCOB) as an organization that was independent from the League of Nations.³⁷⁷ The negotiations at the conference of 1925, however, had turned out to be a “public relations debacle”.³⁷⁸ Especially Great Britain was torn apart between the interests of its colonial administrations and the motherland, and struggled with delivering consistent proposition on how to handle drug trade on the international level. India, which still produced large amounts of opium for the Asian monopolies, secured its own seat during all conventions and all of Britain’s other colonial territories were dependent on opium monopolies; this was the case for Hong Kong and the Strait Settlements as well as for the Malay States. Other colonial powers like France, the Netherlands, Portugal or Japan seemed to experience a similar “bifurcation of policy”. Consequently, in 1927 Britain launched the Interdepartmental Opium Committee to consolidate its opium policy among all parties of interest in the British Empire.³⁷⁹

In 1931 the “Convention for Limiting the Manufacture and Regulating the Distribution of Narcotic Drugs” was held with the goal of creating an international system capable of limiting the global manufacture of morphine, codeine, and other opiates. According to the OAC, between 1925 and 1929 about 100 tons of opium had been exported to unknown destinations, raising concerns. Thus a new system of limitations was discussed, bringing to life the Drug Supervisory Board, an institution that obliged signatory states to create a drug enforcement agency of their own. Quantities of manufactured drugs per country had to be fixed in advance and signatory states were obliged to “create a dedicated national drug enforcement agency to ensure compliance with domestic drug laws”.³⁸⁰ This was based on a proposal by the USA, which recommended to use the American Federal Bureau of Narcotics as a model to copy. Indeed, not much later in August 1932, the Guomindang government brought into existence the Opium Suppression Inspectorate as a sign of good will.

The 1936 Convention for the Suppression of the Illicit Traffic in Dangerous Drugs was held at the initiative of the International Police Commission (the forerunner of Interpol) and came to the recommendation “that national anti-trafficking laws should be based on ‘imprisonment or other penalties of deprivation of liberty’” and that signatory states should set up monitoring agencies for the monitoring of trafficking trends.³⁸¹ This was in perfect accordance with the

³⁷⁷ Buxton, p. 41.

³⁷⁸ William B. McAllister, ““Wolf by the Ears”: The Dilemmas of Imperial Opium Policymaking in the Twentieth Century”, in *Drugs and Empires: Essays in Modern Imperialism and Intoxication ; c. 1500 - c. 1930* (Basingstoke: Palgrave Macmillan, 2007), pp. 204–19 (p. 211).

³⁷⁹ McAllister, pp. 209–12.

³⁸⁰ Buxton, p. 42.

³⁸¹ Buxton, p. 42.

Guomindang's Six-Year Plan, which included the imprisonment of opium traffickers and the executions of traffickers of refined drugs.

Great Britain and the Western European States during the 1920s had mostly retained a moderate position when it came to the regulation of opium, due to their own involvement in opium monopolies in their colonial settlements in South East Asia. The United States, on the other hand, followed a strict prohibitionist agenda. In their own colonial territory of the Philippines – which was only 700 miles away from narcotic-trade center Hong Kong – they followed a strict policy of prohibition. Also being a consumer rather than a producer country, diplomats feared the growing impact of narcotics onto the US population and wanted to limit the globally traded amount of drugs.

In the course of the Burlingame Treaty of 1868, the USA had gained excess to the Chinese market in exchange for the US allowing unlimited Chinese immigration,³⁸² and Chinese immigrants had brought with them the habit of opium smoking – a practice that was condemned by most states in the US. In consequence, high import duties were introduced on smoking-opium, but only led to a growth in smuggling in various creative ways, mostly undertaken by Chinese residents.³⁸³ In at least one case, for example, crude opium was smuggled from Hong Kong to the US in the horns of cattle, which would then be converted to prepared opium for smoking by Chinese immigrants in illegal opium kitchens.³⁸⁴ Shortly after the raise of import duty, regular opium traffic fell by half and discussions about an altogether ban of opium smoking arose.³⁸⁵ Embedded in a racist and anti-Chinese discourse, from 1875 onward, 11 states banned opium smoking for Chinese residents, while consumption of morphine, heroin and cocaine by white Americans was not even addressed. Even after the ban opium smuggling to the US remained an issue. Cases came to be known where crude opium was smuggled from Hong Kong to US in the horns of cattle, which would then be converted to prepared opium for smoking by Chinese immigrants in illegal opium kitchens.³⁸⁶

In the early 20th century, the discourse about smoking-opium was increasingly replaced by heroin and morphine which were seen as the new underworld drug of choice. Opiate Addiction, which for the longest time had been a problem of white middle-class woman, became a problem

³⁸² Buxton, p. 21.

³⁸³ David T. Courtwright, *Dark Paradise: Opiate Addiction in America before 1940* (Cambridge, Mass: Harvard University Press, 2001), p. 16.

³⁸⁴ Courtwright, *Dark Paradise*, p. 18.

³⁸⁵ Courtwright, *Dark Paradise*, p. 16.

³⁸⁶ Courtwright, *Dark Paradise*, p. 18.

of lower-class males and therefore received increasing public attention.³⁸⁷ By 1919, it was noted that at least one million drug addicts resided in the US, which at that time had a population of over 104 million people.³⁸⁸ During the 1930s, not only smoking-opium from China found its way to the US but increasing shares of heroin as well. In a statement by the International Missionary Council in 1933, about a dozen factories are mentioned in Hebei, Henan, Hubei, Sichuan, Jiangsu, and another eight in Sichuan which produced morphine and heroin probably also for the US market.³⁸⁹ In Shanghai as well it came to be known that the Green Gang had manufactured heroin which was partly exported to France and the US.³⁹⁰

At that time, Japan was expanding its territorial influence in China and was involved in the narcotic business, which led to increasing political tensions between the United States and Japan. As Friman writes, “in May 1936 the United States explicitly charged the Japanese Home Affairs Ministry with facilitating the illicit trade to North America, maintain [sic!] before the OAC that the ministry had approved Japanese narcotics production in China.”³⁹¹ In the end, the US-prohibitionist approach succeeded on the international stage of diplomacy. After the Japanese invasion of Manchuria (1931), that was accompanied by large importations of opium and opiates by the Manchukuo government, all parts of the British government were eager to distance themselves from the Japanese example and even the Indian government was willing to gradually curtail its opium exports to the colonial monopolies.³⁹² The growing influence of Japan was one of the reasons, why the thought of prohibition in the end prevailed in the international community. Julia Buxton argues, that another reason might have been that European countries feared the US policy of signing bilateral treaties instead of using international political conventions and therefore used opium policy as a tool to bring the US into the United Nations³⁹³ – and therefore onto the field of binding international agreements.

The Guomindang could not ignore these international trends if they wanted to be seen as equal partners in the world of international diplomacy. The Six-Year Plan was a means to get the approval of the international community and show that China was not only taking opium suppression seriously, but that the state also had the strength to enforce suppression. And indeed, both the American and British government, as well as the United Nations were impressed by

³⁸⁷ Courtwright, *Dark Paradise*, p. 3.

³⁸⁸ Courtwright, *Dark Paradise*, p. 9.

³⁸⁹ Dikötter, Xun, and Laamann, *Narcotic Culture*, p. 140.

³⁹⁰ Block, p. 329.

³⁹¹ Friman, p. 57.

³⁹² McAllister, p. 214.

³⁹³ Buxton, p. 45.

the plan.³⁹⁴ Their support became increasingly important the more the Guomindang were confronted with Japanese aggression and involvement in North China. Only when the government could prove that it was sincere in its policy against drugs, it could point out the Japanese involvement in the narcotics trade in front of the international community. After all, the roll back of Japanese influence was a common interest between the Guomindang state, the United Nations, and British and American governments, who perceived their own economic and political spheres of interests being threatened by the Japanese presence.³⁹⁵ At the 22nd minutes of the OAC in 1937, American representative Stuart Fuller stressed the improvements that had been made by the Chinese government, while at the same time pointing a finger at the Japanese drug policy:

“I am happy to say that the information which has reached me indicates that in the three provinces referred to ... the restrictive measures enforced by the Chinese Government are now commencing to have a noticeable effect. The production for the crop year 1936/37 is estimated to have been reduced in Yunnan by about 50% and in Szechuan by about the same proportion, till it now rests at about a half of the usual output. When we come, however, to the provinces under Japanese control or influence, we find a very different state of affairs. In the three north-eastern provinces – that is to say, Manchuria – we find that the area designated by the regime now functioning in that region for lawful opium-poppy cultivation in 1937 was 156,061 acres, as compared to 133,333 acres in 1936, an increase of 17%. ... Last year I said to the Committee : ‘Where Japanese influence advances in the Far East, what goes with it? Drug traffic’. This continues to be the case.”³⁹⁶

Japanese involvement in the drug traffic continued after the invasion into China in 1937, as the new Japanese puppet regimes, that were established, relied on opium exports for revenue. The Guomindang’s Six-Year Plan for the prohibition of opium came to an end, when the Reformed Government in Nanjing under Liang Hongzhi abolished all laws banning opium and narcotics in 1938 and set up its own opium system.³⁹⁷

³⁹⁴ Baumlér, ‘Opium Control versus Opium Suppression’, p. 288.

³⁹⁵ Baumlér, *The Chinese and Opium under the Republic*, p. 198; Buxton, pp. 38–50.

³⁹⁶ League of Nations, ‘Minutes of the Twenty-Second Session’, p. 56.

³⁹⁷ Kobayashi, pp. 344–45.

6. Conclusion

World system theory teaches us that as historians we should be careful not take a single region or commodity as example and analyze it in isolation without considering the global background and international context. In an economically and politically interlinked world system what happens in one part of the world influences another and vice versa. The underlying assumption is, that at least since the 16th century a capitalist world system started expanding from Europe and by the end of the 19th century covered the whole world. While scholars like André Gunder Frank and Barry Gills have postulated the existence of one single world system for already several thousands of years, other's like Giovanni Arrighi, Takeshi Hamashita or Satoshi Ikeda have noted that China was at the center of a another world system, organized around the Chinese state and its tribute system. This East-Southeast-Asian system the was integrated as subsystem into the capitalist world system during the 19th century.

Historic materialist theory of the state, on the other hand, helps us to overcome any deterministic notions that might come with world system theory, by stressing how a state's final decisions are actually the product of power relations in its institutions and society, rather than the decision of one rational actor who follows a single coherent logic. It is a "condensation of a relationship of forces", as phrased by Nicos Poulantzas. In a state that is comprised of various institutions, groups and individuals with contradictory interests, the state's reaction to developments in the world system is dependent on the power relations between these various actors. At the same time these internal power struggles and their outcomes are themselves influenced by developments on the scale of the world system. I have aimed at analyzing opium in its international context as well as before the background of the changes that had occurred in the world system as such, while at the same time considering inner-Chinese power inspired by historic materialist state theory.

With regard to world system theory, the 19th century was not only the century in which opium production and trade accelerated, but also the century in which Great Britain took off and became the economic and political hegemon of the capitalist world system. The rise of opium and the rise of the British empire are interlinked with each other. Opium was used to finance British imperialism and integrate the Chinese people as consumers into the world economy while Chinese markets simultaneously were integrated into the global financial system. The market economy was not a new phenomenon in China – the redirection of surplus capital derived from these markets towards the international banking system and capitalist reinvestment, however, was. If we follow the argument of Braudel, this redirection of surplus, that occurs above the level of

the market economy, is what constitutes the sphere of modern capitalism. China, which had itself been the center of the East-Southeast-Asian world system became integrated into a capitalist system and, as shown by Trocki, exported the capitalist logic of this system to the South-Asian countries that had in the past been linked to it through the tributary system.

The integration of the Chinese economy into the global economic system went hand in hand with severe economic and societal problems. The outflow of silver was one of them, the rebellions of the mid-19th century another. Nevertheless, the Qing state for the largest part remained a sovereign, who was able to hold together the territory until the beginning of the 20th century. The Qing state was not a conscious union with a coherent line of decision making, it was an assembly of groups which were comprised of individuals and coined by their struggles regarding the interest they share and don't share. In the imperial Qing Chinese state, tensions and power struggles were mostly waged among Manchu aristocrats and Han officials, which represented the struggle between central and provincial power holders. The power of provincial rulers on the other hand was tied to the landed class via the traditional Confucian examination system. The decisions that were made by the Chinese state were influenced by its internal power relations and these relations determined the reaction of the state towards the process of integration into the world system and the way in which it was integrated.

In the second half of the 19th century, opium evolved from a good that was condemned by central authorities, to being accepted as a necessary evil, since its taxation supported the armies of the provincial governors who were mostly responsible for throwing down the mid-century rebellions. The central state profited from the income of the duty that was levied on opium via the Chinese Maritime Custom, while the provincial governors were granted with the right to levy the *lijin* as transit tax, which they used to tax domestic as well as foreign opium passing through their territory. More and more, opium was integrated into the state's revenue system. Opium taxes enabled local armies to fight the rebellions and execute modernization programs, but also created a rift between the central government and the provinces, who both struggled for political power and revenue.

In the last third of the 19th century, a global depression heralded the end of the phase of material expansion of the British cycle of systemic capital accumulation and the beginning of a phase of financial expansion. Worldwide deflation put a disadvantage on Chinese manufactured goods and domestic production of opium grew. The indemnities after the Sino-Japanese war put a financial strain on the government, which led to the state being further drawn into the international financial system as it had to rely on foreign loans to pay these indemnities. The trend in

the last decades of the 19th century and the early 20th century, went towards the recentralization of political and economic power through the centralization of opium taxes.

In Britain, public anti-opium voices became louder. Christian morals as well as health and economic related concerns were raised by different groups. British missionaries, who after the Second Opium War had received the right to freely operate in China, spread the word and introduced the health concerns of modern medicine to the Chinese public. Representatives of the economy argued that opium was diverting the spending capacity of the Chinese people away from British manufactured goods and it therefore was an economic hinderance. By 1905, an agreement was made between Britain and China to reduce Indian opium exports to China over a period of ten years.

The agreement included participation of the Chinese state by curtailing its own opium production, consequently the government launched a strict prohibition campaign combined with a modernization program that targeted all the states institutions and the educational system. In doing so, however, central authorities overestimated their grip on the state's capacity. As Koyama et. al have shown, a large territory has to invest extensively in state capacity before it can undertake any large reforms. The eradication of poppy fields incited popular protests from farmers whose livelihood depended on the crop and by abolishing the traditional Confucian exam system, central authorities probably severed the last ties between the landed class and the state. In 1911 the state collapsed, and the Chinese Republic was declared by 1912.

The crisis of British hegemony became especially visible after the First World War when other countries started to challenge Britain's position in the world economy. In the case of China, foreign investment started to diversify at the beginning of the 20th century and Japan in particular gained more and more influence in the country, especially in the north. The Chinese Republic lasted for only a few years, before warlord chaos broke out and opium planting resurfaced. Political chaos was accompanied by unprecedented amounts of opium production, since warlords needed revenue to finance arms and sustain their troops. But opium business did not only finance warfare, it also enabled private capital accumulation and the creation of banks and finance, especially in the Treaty Ports, where a lot of banks were founded with opium money. It further linked the Chinese periphery, especially the western provinces, to the markets of the rest of the country, since the value of opium was high enough to compensate for the long and costly travel through mountainous landscapes.

When the Guomindang in 1927 established a new government in Nanjing, the unstable relationship between the center and local powerholders continued. The Nationalist government

partly succeeded in taking over control of the transport routes and taxation of opium. But the drug was still used by the governments adversaries to undermine their authority: western warlords and the Guomindang's own garrisons used opium to stay independent from central authorities; the Japanese territories and its puppet state Manchukuo were notoriously involved not only in opium trade, but partly responsible for the spread of other opiates such as morphine and heroin as well. At the same time organizations were founded by an emerging civil society, that publicly campaigned against opium, such as the National Anti-Opium Association (NAOA).

The Guomindang had to find their way in an environment of a modernizing China that was subjected to globalization and integrated into a global economy. National and international phenomena were increasingly intertwined and influencing each other: the National Anti-Opium Association was an inner obstacle, carried by Chinese Christians and the emerging urban bourgeoisie, but it was inspired by the British and international anti-opium movement; the Green Gang was a local criminal organization that controlled the opium trade in Shanghai, but they received protection out of the French Concession; warlords were national adversaries, but had access to international arm deliveries. Often it was outside threats that convinced competing national groups to work with each other, for example when the Guomindang and the Green Gang reached an agreement in the Shanghai opium business after the Japanese invasion of 1931.

In such a diverse world, the role of ideology and the need to engage with the masses grew. The Guomindang state was using opium revenue to an unprecedented scale, when compared to the Qing, but also faced a lot of resistance. Therefore, opium monopolies until 1935 were established in disguise as 'Suppression Bureaus' and anti-opium propaganda was used to provide authorities with the moral legitimacy they needed to be accepted as political leaders. The Guomindang's illegal businesses, however, were frequently exposed by institutions of the civil society and caused public scandals, while political adversaries used opium to remain financially independent from the central government.

The Six-Year-Plan was supposed to take revenue out of the hands of disobedient warlords, while at the same time proofing to the Chinese population and as the international community that the agenda of the Nationalist government was just and trustworthy. Opium had not only stirred the resistance in the newly emerging civil society of the cities, but increasingly became an agenda in the international community as well. The end of the First World War had led to an over-supply in opiates after the war and led to more and more countries pressuring for international regulations in the trade. A total of six multinational agreements between 1915-1939

were dedicated to finding regulations regarding opium and narcotics trade and production. Tensions between the United States, who stood for a strict prohibition policy, and Japan, who massively profited from opiate trade with China, grew. The USA feared drug exports to their own country as well as the growing geopolitical influence of Japan, which threatened their economic interests. Consequently, they campaigned for international prohibition of the drug. Confronted not only with inner problems due to opium but also with the threat of Japanese imperialism, the Guomindang in 1934 decided to opt for a gradual but strict prohibition campaign.

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Abstract – English

Hardly any drug has coined the global trade of the 19th century as much as opium. It settled the negative trade balance of the British Empire and the British East India Company in the tea business and enabled the integration of China into the global economic and financial system. In the course of the Opium Wars of the mid-19th century, China was forced to legalize opium, and an era of growing domestic production began. Increasingly the drug was used by the central Qing state, provincial governors, and later warlords and the nationalist Guomindang party to finance their political agenda. The thesis at hand analyses the Chinese opium economy between 1860 and 1937 from the perspective of world system theory and makes use of insights from historic-materialist state theory to consider internal state dynamics. The focus lies on trade, cultivation, taxation and political interests behind the opium economy, while also considering the context of international developments.

Abstract - Deutsch

Kaum eine Droge hat den globalen Handel im 19. Jahrhundert so geprägt wie Opium. Es glich die negative Handelsbilanz des Britischen Imperiums und der britischen Ostindien-Kompanie im Teehandel aus, und integrierte China in das Global Wirtschafts- und Finanzsystem. Im Zuge der Opiumkriege Mitte des 19. Jahrhunderts wurde China gezwungen Opium zu legalisieren und eine Ära rapid wachsenden Anbaus in China begann. Dabei wurde Opium zunehmend vom Zentralstaat und den Provinzgouverneuren sowie später von Warlords und den nationalistischen Guomindang zur Finanzierung der politischen Agenda herangezogen. Die vorliegende Arbeit beschäftigt sich aus Sicht der Weltsystemtheorie mit der chinesischen Opiumwirtschaft zwischen 1860 und bedient sich dabei der Kenntnisse aus der historisch-materialistischen Staatstheorie, um interne staatliche Dynamiken berücksichtigen zu können. Im Blickpunkt stehen Handel, Anbau, Besteuerung und politische Interessen hinter der Opiumwirtschaft vor dem Hintergrund internationaler Entwicklungen.