A Study on Chinese Community and Opium Farms in Penang in the 19th Century*

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Abstract: Penang is a small island that became a beachhead for British expansion from South Asia into East Asia. It was the Chinese immigrants that completed the transformation, turning Penang into what it is today. This paper examines to look into the roles played by the Chinese community in Penang from the second half of the 18th century, with focus placed on the relationship between opium revenue farming and Chinese community.

The Chinese community in Penang began to swell starting from the British occupation of the island in 1786. The Chinese merchants in Penang accumulated their capital and built up their community there through “opium farms” until the late 19th century. The Chinese economic achievements in Penang at the beginning of the 19th century were largely based on opium abuse encouraged by the Chinese among their compatriots. It was closely linked to Britain’s taxation system. The Chinese merchants in Penang sold opium and financed Secret Societies over a century to open up an era of business titans on the island. They began to expand their wealth further through a huge syndicate encompassing opium farms, capital, coolie trade, and Secret Societies.

The unique human network valued by the Chinese played a central role in the capital accumulation. Based on the same hometowns or ties of kinship, the Secret Societies emerged as interest groups contributing to the enhancement of solidarity in the Chinese community. The Secret Societies got involved in social control and economic operations on behalf of the colonial government. At the beginning of the 20th century, the influence of traditional Chinese business titans who competed against Western capital shrank significantly as their enclave was undermined. Clearly, the economic power of Chinese merchants would no longer come from opium.

Key words: Penang, opium, opium farm, Southeast Asia, Chinese enclave, overseas Chinese

1. Introduction

Located at the northern end of the Strait of Malacca, Penang is a small island that became not only a trade base for the British Empire but also a beachhead for its expansion from South Asia into East Asia starting from the landing of Captain Sir Francis Light in 1786. The eventual colonization of Penang by the British Empire also means that Southeast Asia was placed under the direct influence of the Industrial Revolution sweeping across the European Continent at that time. More fundamentally, the Age of Discovery started by European explorers was leading to seismic changes in the world, including the restructuring of the world market due to changes in the flow

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of capital and manpower across the world in the century. A dramatic example of such transformation in Asia was the Malay Peninsula, with Penang standing at the forefront of national and regional changes. Penang soon became an entrepôt in the region. No doubt, it was the British occupation that sparked the change in the island. However, that it was largely the Chinese immigrants that completed the transformation, turning Penang into what it is today. Therefore, it is worthwhile to look into the roles played by the Chinese community in Penang since the second half of the 18th century, particularly from the perspective of their eventual success in making the British colony Penang into a Chinese mercantile enclave.

The Chinese community in Penang began to swell starting from the British occupation of the island in 1786. It was soon divided into a few groups. Let us find out how the division progressed and what lay beneath the change. More broadly, what differences did the formation and buildup of the Chinese community in Penang have as opposed to the general growth pattern of the Chinese community in other Southeast Asian countries?

Traditionally, studies on the Chinese communities in the region focused on the following three relationships: Western colonization policies versus Chinese immigrants, local communities versus Chinese immigrants, and China and Chinese emigrants into other countries. Such approach has generalized Chinese communities in Southeast Asia, however. It has failed to factor in significantly different situations undergone by Chinese communities in many countries in the region, assuming instead that overseas Chinese communities have the same traits. In other words, existing research studies have turned a blind eye to the pains of internal conflicts within the Chinese communities, for instance.

They have also failed to take keen interest in how Chinese communities in Southeast Asia responded to and dealt with global changes associated with the shift from mercantilism to imperialism. This paper would like to shed light on the characteristics of the buildup of Chinese communities in Penang between late 18th century to the middle of the 19th century, with focus placed on the relationship between opium revenue farming and Chinese community. Specifically, this research will look at how the Chinese merchants in Penang accumulated their capital and built up their community there through “opium farms” until the late 19th century.

Focus will be placed on “opium and revenue farming” through which Chinese merchants in Penang accumulated wealth together with the associated “class conflict” within the Chinese community there. The author expects the readers of this paper to see clearly the different roles of opium in the buildup of the Chinese enclave in Penang and the Chinese communities that were largely established in other Southeast Asian countries prior to the 18th century.

2. Chinese Emigration into Penang

Francis Light of the British Empire landed on Penang on August 11, 1786. He claimed to have leased Penang Island legitimately from the sultan of Kedah in the Malay Peninsula. Actually, the British occupation of Penang remained illegal until 1791 when the Sultan of Kedah signed a treaty with the British East India Company. The landing of Light led to the transformation of Penang into a trading base for the British Empire for Southeast Asia. Until the 15th century when Admiral Zheng He of the Ming Dynasty of China commanded expeditions to the South Seas, Penang was a small island referred to as “Binlang Yu” on navigational drawings.

Binlang — Areca Catechu Linne in Penang Hokkien Chinese dialect — is Areca nut wrapped in betel leaves that people chew like tobacco. Malays in the 18th century called Penang “Pulau Pinang”. A small number of natives on the island lived on retail trade and finishing. The British occupation opened the floodgates for the
waves of Chinese, Indian, Arab, and Malay immigrants.

In October 1876, just two months after the Penang occupation by Light, the British East India Company received a report on how conflicts have occurred over land among immigrants competing to construct their own buildings. In 1789, the population of Penang reached the 5,000 mark, and ten years later, it doubled to ten thousand. The first Asian immigration group into Penang came from Kedah in the Malay Peninsula. They were refugees of Siamese attacks on Kedah. Indian merchants dominating the maritime transportation and commercial rights in the region followed the Malays and came to Penang. Indian convicts were mobilized by the British Empire to build fortresses and cities in the island. Indonesians came mainly from Aceh, Sumatra, followed by people from Southern Thailand and Burma. Some of the Chinese immigrants who settled in Malacca, Malaysia, and Southern Thailand starting from the 16th century came to Penang.

Following the Penang occupation, the British East India Company attempted to destroy Dutch Malacca since it was seen as an obstacle to the Company’s expansion into the region. The Company planned to neutralize the Dutch fortresses and destroy the cities in the area while moving all the residents to Penang. Chinese settlers in Malacca emigrated into Penang ahead of the Siamese attack. Chinese immigrants in the Malay Peninsula were mainly from Fujian Province. Therefore, initially, the Chinese in Penang were largely those from Fujian. Chinese merchants who successfully settled in the Strait of Malacca through commerce and trade even before the British occupation of Penang began to secure commercial supremacy in Penang rapidly and build “a Chinese enclave” there.

The first Chinese immigrant into Penang was Koh Lay Huan, an merchant who had emigrated from Fujian Province to Kedah, Malay Peninsula. When Koh Lay Huan crossed the strait to move from Kedah to Penang in 1786, Light had occupied the island just for a few days. The following year, in 1787, he became the first “Kapitan China” of Penang. The Kapitan system was part of the indirect rule adopted by Western colonizers in Indonesia and Malay Peninsula. Originally, since the areas in the vicinity of Penang were populated by immigrants numbering as many as the natives, local sultans chose to deal with their various ethnic groups through group representatives. In the second half of the 16th century, the Portuguese, which began to occupy the region, adopted the Sultan’s indirect administrative method. Britain followed suit and appointed the leader of Chinese immigrants in Penang “Kapitan Cina", an official position of the colonial government. Chinese immigrants called him “Kapitan (甲必丹 in Chinese characters)”. The son of Koh Lay Haun, maintained close relations with British colonial authorities to the extent that he was invited to accompany Sir Stamford Raffles in 1819 on his historic voyage to Singapore. Koh Lay Huan commercially engaged in opium farm in Penang.

3. Accumulation of Wealth through Opium Farming

Behind the fast economic domination by Chinese immigrants in Penang were the dynamics of their innate diligence, skills in building wealth, and strong networks amongst themselves. Some analysts point out that the Chinese immigrants’ wealth accumulation process was relatively easy and simple, referring to their own type of capitalism closely related to feudalism in China. Still, their capital accumulation in Penang undoubtedly differed from any other pattern across the world. As opposed to Indonesia and Thailand where Chinese immigration progressed gradually before the 18th century, ethnic Chinese had to build wealth in Penang, a new British colony that was not much different from an uninhabited island in a number of aspects, through a process that was neither easy nor simple. In other words, their capital accumulation in Penang was based on their exploitation of their own
compatriots. At the core of the exploitation lay revenue farming, where opium played a central role.

Following the British occupation, Penang began a close relationship with opium. In fact, Penang was like heaven to British opium merchants who were selling Indian opium in the Chinese markets. During the decade 1809-1819, opium accounted for one-third of the annual trade of Penang. Throughout the 19th century, opium was a very important trade item for Penang even though it did not account for an absolute proportion in the island’s international trade. For instance, during the decade 1828–1829, Penang’s biggest import item was Indian clothing (34%), followed by opium (14%).

Opium was the crucial source of public revenue for the colonial authorities for the following reasons:

Penang was a free port between 1786 and 1941 according to Britain’s free trade policies. Tariffs were imposed only temporarily for 13 years between 1813 and 1826. The free port policy contributed to expanding international trade, yet it failed to provide the funds required for the maintenance of colonial governments. For instance, the Colonial Administration of Penang was able to collect only half of the money that it spent in the 1850s. The Straits Settlements, a group of British territories located in Malacca Straits, were so financially unstable that they had to turn to the British East India Company based in Calcutta, India for financial assistance.

The Straits Settlements imported 20% of the opium exported by British India during the period 1880–1890. The British colonies in Penang and Malay Peninsula were sustained financially through the import of Indian opium. The British colonial government of India itself relied on the sales of raw opium for 15% of its financial revenues. Following the official abolition by the Straits Settlements of “opium farms” in 1909, more than 40% of the Settlements’ revenues came from opium until the end of the 1920s. The Straits Settlements began to implement a state monopoly system for opium in 1910 in place of opium farms. Under the state monopoly system, the colonial government controlled international opium trade, but licensed individuals engaged in opium commerce.

Nonetheless, the British colonial authorities left no official records on anything related to opium in Penang; hence the difficulty of grasping the whole picture of the subject. Fortunately, Sir Archibald Anson, Lieutenant Governor of Penang, mentioned opium farms in Penang in the 1870s in his memoirs. He wrote of looking around an opium factory in Penang in 1870 and “at that time a chest of opium cost 500 Straits dollars and the Penang opium farmer informed me that each chest contained 40 balls, which converted into chandoo, would be sold for about 1,800 Straits dollars”. Anson presumed that around 25–27 chests of opium were sold in Penang every month. That quantity amounts to 1,250–1,350 kilograms of opium worth approximately 45,000–48,600 Straits dollars a month. Around twice as much (45–50 chests of opium) was presumed to have been sold in Singapore at the time.

The colonial authorities in Penang implemented a system called revenue farming in a bid to secure its revenue source. In fact, revenue farming was widely used in Europe and Southeast Asia as a safe way of collecting taxes. Based on the arrangement, private farmers were granted an exclusive right to collect taxes on behalf of the government. In return for a fixed monthly rent, a revenue farmer was given the exclusive right to collect a certain tax for the agreed-upon items in a specified area for a set number of years. The farmer kept for himself any money he collected over and above what he owed the government in rent. Opium was the most important item in revenue farming. Opium farmers enjoyed exclusive rights not only to the import and sales of opium but also to the operation of opium dens.

Therefore, the operation of opium farms was directly linked to the running of gambling dens, liquor houses, pawnshops, and brothels, which generated huge amounts of profits. Most opium farmers in Penang belonged to a syndicate of powerful Chinese merchants, which sublet their tax collection rights to small farmers. The term for
opium farming contracts was three years. One year before the expiration of the three-year term, the colonial government held a seemingly competitive public tender for new contracts. The actual decision on contract awarding was based on “political considerations”, however. The official abolition of opium farms in 1909 meant that the relevant exclusive profits enjoyed by huge Chinese merchants and their syndicate went directly to the colonial government.

Although the proportion of opium trade declined in Penang over time, tax revenues from opium farms continued to expand until the beginning of the 20th century. For instance, revenues that remained in the range of 600,000 Straits dollars in 1895 soared to 1.5 million dollars 10 years later in 1904. The colonial government collected 1,355,205 Straits dollars from opium farms in 1914. In the same year, the British colonial authorities collected 5.2 million Straits dollars in opium farm taxes in Singapore. The tax revenues from Penang and Singapore constituted two-thirds of the empire’s total opium tax revenues from the entire British Malaya in 1914. However, that the British colonial authorities maintained the revenue farming system in Penang for more than 120 years just for the sake of tax revenues. Of course, revenue farming was a very effective way of collecting taxes from Chinese workers — who had neither properties nor dwellings — without any administrative cost incurred with tax collection. The moment the laborers used opium, gambling, or liquor dens or pawnshops, they paid taxes in the form of consumption tax. Still, the bigger purpose of implementing the revenue farming system was to continue securing a sizeable Chinese workforce on the island. Chinese capital was involved in the management of labor-intensive tin mines and large agricultural farms. Opium farms were exploited by the capitalists as a means of running their mining and agricultural businesses on a stable basis.

Opium was not just a commercial item in Penang. Indeed, it was a driving force behind the colonial authorities and the Chinese community in Penang. The community was able to realize the primitive accumulation of capital through the exclusive right to opium farms, which constituted part of the huge syndicate that determined the fate of the economic welfare of the Chinese community in Penang.

The opium farm syndicate was composed of big Chinese merchants running farms with a large number of Chinese laborers, “Secret Societies” in charge of security in opium dens and prevention of out-of-loop opium transactions, and “coolie trade” network engaged in the transaction of coolies as in slave trade. The Chinese syndicate turned its compatriots into opium addicts to increase its revenues and accumulate its capital. It prevented the addicts from escaping from mines or farms to continue to manipulate them. The Chinese community in Penang was divided into two groups: the exploiters and the exploited.

Koh Lay Huan, one of the first Chinese immigrants in the British Colony, Penang, was allocated an opium farm within a year of arriving there. In 1824, upon Britain’s invasion into Burma, he built a fleet of ships with other Chinese merchants in Penang to supply food to the British troops. Through such close relationship with the colonial authorities, he was able to continue expanding his commercial interests. His family fostered many economic titans of Penang. For instance, Koh Seang Tat, one of his grandsons, became the leader of the Penang opium syndicate and secured the exclusive opium farm rights for Singapore in 1890. Generally, opium farmers were leaders of Secret Societies or those who established an alliance with them. They controlled the Chinese laborers. By the mid-19th century, opium farmers who participated in the opium farm syndicate — using their own Secret Societies equipped with capabilities to maintain security in their own right — had all turned into capitalists. By 1890, following the rapid urbanization of Penang combined with the enhanced law enforcement capabilities of the colonial police force, opium farmers again transformed themselves, this time into financiers.
For example, Gan Ngoh Bee, a very rich merchant in Penang, secured opium and hard liquor farms during the period 1901–1903. The colonial government began to implement “a general farm system” that viewed the business related to liquor houses, pawnshops, and gambling dens as a single transaction in the mid-1880s. In particular, rights to subletting opium and spirit transactions were treated as a single contract under the new system. The Chinese syndicate earned 700,000 Straits dollars in gross profits from its opium and spirit farms in Penang during the period. Gan Ngoh Bee had a 25% stake in the syndicate. With annual average income of 50,000 Straits dollars, Gan earned about 150,000 Straits dollars from the opium and spirit farm arrangement for three years. Through opium farms, Chinese merchants made a fortune and grew into entrepreneurs and capitalists, yet Chinese workers who were addicted to opium made a minuscule amount of income and got nowhere. In the middle of the 19th century, their monthly wage ranged from 3–4 Straits dollars, or less than 50 Straits dollars a year. Their wages hardly increased. The average monthly wage in Penang at the end of the 19th century was 7–9 Straits dollars, whereas that for agricultural workers in Penang in 1911 ranged from 6 to 12 Straits dollars.

Initially, opium farms were a source of capital accumulation for Chinese merchants who eventually turned into capitalists. Following the development of tin mines in the state of Perak in 1850’s, however, opium farms served as a means of securing labor force for mines. The Chinese employers in Malay mines and farms used gambling and opium dens to drive their workers into the mire of debts and prevent them from moving out. For instance, Koh Seang Tat ran a tobacco plantation in Eastern Sumatra in 1886. Upon tobacco harvest, he paid wages to workers and opened a temporary gambling den in the name of service to workers. Many workers became debt-ridden because of gambling, however. He said, “Debts force coolies to stay put on farms. They cannot leave the farms because of their debts.” To Chinese workers enduring their hard labor with the dream of returning home with a fortune, opium farms were simply a means of exploitation by capitalists who forced them to engage in a type of bonded labor. Indeed, opium farms were closely associated with “cooie trade” as well as “a credit-ticket system” developed to accelerate the migration of Chinese laborers starting from the mid-19th century. Poor Chinese workers contracted to pay their travel expenses to Southeast Asia out of their future wages. Usually, their shipping charges were equivalent to their yearly labor service. The coolie brokerage business was so profitable that a syndicate specializing in the brokerage of guest workers emerged. To maintain their hold on the mobilization, transportation, and distribution of coolies, brokers capitalized on Secret Societies based in intranational settlements in China and Straits settlements. As a result, many coolies had to work without wages for their first year. They were provided only food and work clothes as well as the most basic necessities during the period.

4. Encouraging Coolies to Abuse Opium

While some Chinese immigrants in Penang were accumulating capital through opium, the Chinese merchant and laborer class there was sharply divided into opium sellers and opium addicts. Many Chinese workers in Penang became addicted to opium. They were not opium addicts prior to their migration to Penang; they simply could not help being addicted to opium in the Chinese community in Penang, which was encouraging them to abuse the substance. With the medical facilities available in very poor condition, opium was perceived by the workers as medicine for tropical diseases like malaria and dysentery. Opium also enabled escaping from their horrible reality, if only for a while. Chinese coolies in Penang were actually encouraged to abuse opium by the British colonial authorities and rich Chinese merchants for their colony management and wealth accumulation,
respectively. The rich Chinese in Penang actually took back what they paid to their laborers on their farms and in their mines as wages through opium farms. Chinese community in Penang in the 19th century was “a society where the Chinese encouraged their compatriots to abuse opium” under the auspices of Imperial Britain, which was aspiring to expand its national wealth through the combination of the capital and labor force of the Chinese immigrants.

To Chinese laborers, opium farms were their shackles that kept them from leaving at will. The colonial authorities actually supported opium farms on the grounds that they helped not only the colony but also the Chinese community to thrive. Lots of Chinese laborers in Penang were addicted to gambling and opium while wandering from one brothel to another. In 1905, there were 144 brothels and 1,201 prostitutes in Penang. In the mid-19th century, only one in ten Chinese migrant laborers in Penang was able to return home.

The Chinese community in Penang was stratified differently from a traditional Chinese society. According to Yen Chin Hwang, the Chinese community in Penang was divided into urban merchants and laborers largely due to different immigration patterns as opposed to the clear-cut division between the classes of the ruler and the ruled in China. He added that the Penang community was not stratified into classes, and that it was composed of the classes of merchants, scholars, and craftsmen for whom the size of their wealth counted the most, in contrast to the traditional hierarchic social class structure developed in China.

Yen noted that the top of the social pyramid in Penang was occupied by the capitalist class consisting of international traders, huge farm owners, tin mine developers, big revenue farmers, and financiers. Craftsmen were divided into two groups: the first group consisted of carpenters, blacksmiths, goldsmiths, chefs, and construction workers, whereas the second group was composed of laborers at mines and farms. Therefore, the social pyramid of the Chinese community in Penang consisted of a small number of rich people that had turned into contemporary capitalists at the top and a huge number of Chinese workers at the bottom. By the beginning of the 20th century, the number of business titans like Gan Ngoh Bee and Koh Seang Tat in the Straits Settlements increased to over 200.

Starting from the mid-19th century, Chinese merchants who succeeded in accumulating capital through opium farms began to expand their wealth further through a huge syndicate encompassing opium farms, capital, coolie trade, and Secret Societies. Looking into the Chinese community in Penang with focus on opium, one can easily argue that the Chinese immigrants accumulated their capital through the inhumane treatment of their compatriot laborers. The unique human network valued by the Chinese played a central role in the capital accumulation, too. In the Chinese economy in Penang, guanxi (roughly meaning “connections”) and credibility were the major virtues that helped Chinese merchants usher in an era of business titans there. Behind such were Secret Societies. Based on the same hometowns or ties of kinship, the Secret Societies emerged as interest groups contributing to the enhancement of solidarity in the Chinese community. The Secret Societies got involved in social control and economic operations on behalf of the colonial government. They were created by the needs of the time; thus, they can be called a creature of the age.

Naturally, the colonial authorities and Western capitalists denounced the organizations as “imperium in imperio (empire within an empire)”. The expression was originally used in the British Parliament to criticize the East India Company and the West India Company, which were acting as if they were states. In Asia, Chinese merchants were widely recognized as “intermediaries between Western traders and local markets”. However, that Chinese big merchants in Penang in the second half of the 19th century were more than intermediaries. They had already secured a level of capital comparable to that of Western capitalists. Thus, the denunciation of “imperium
5. The End of the Wealthy Chinese Merchant Era

The Chinese economic achievements in Penang at the beginning of the 19th century were largely based on opium abuse encouraged by the Chinese among their compatriots. At the end of the day, a tiny number of Chinese managed to accumulate capital in the process, with an absolute majority of Chinese workers addicted to opium and stuck with hard labor, with no way out of the vicious circle. Such phenomenon was closely linked to Britain’s taxation system, which helped a small number of officials of the British colonial authorities colonize a large number of colonial subjects. The economic clout of the Chinese community over the entire island of Penang and beyond grew through the primitive capital accumulation process relying on opium. Chinese merchants ended up opening an era of economic titans on their own — albeit through a distorted process — and contested with Western capitalists on equal footing. The Chinese merchants in Penang sold opium and financed Secret Societies over a century to open up an era of business titans on the island.

However, that the economic clout of the Chinese community in Penang — based on revenue farming and opium consumption by their compatriots — began to wither fast following the policy shift of the British Empire for its colonies in the second half of the 19th century. The Chinese mercantile community in Penang — which engaged in opium farms and exercised control over the Chinese labor force — contested with Western capitalists but found itself wanting in the face of Britain’s direct colonial rule and the waves of imperialism armed with industrial capital. At the beginning of the 20th century, the Chinese mercantile community in Penang was threatened with the possible end of “the era of business titans”. In the end, the influence of traditional Chinese business titans who competed against Western capital shrank significantly as their enclave was undermined. Of course, the Chinese merchants sought to find a way out in their uphill battle against the full-blown imperialist onslaught on Asia in late 19th century. It is also true that their wealth did not disappear overnight. Still, the fact remains that Chinese economic order based in opium farms in Penang died once and for all. Secret Societies that helped shore up the Chinese mercantile community in Penang also lost its power. Clearly, the economic power of Chinese merchants would no longer come from opium. Ironically, the situation highlighted the influence wielded by opium farms on the Chinese community and the buildup of the Chinese enclave in Penang. The Chinese mercantile community created in Penang in the first half of the 19th century was characterized by the fact that it depended more on the social capital of Chinese immigrants — who were closely knit through opium — than on physical capital.

References


