

## THE POLITICAL ECONOMY OF OPIUM SMUGGLING IN EARLY NINETEENTH CENTURY INDIA: LEAKAGE OR RESISTANCE?

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### INTRODUCTION

1. The link between narcotics, imperialism and capitalism has long attracted the attention of scholars.
  - a. Recently, **Carl Trocki** has reiterated the classical Marxist position, dating back to Karl Marx himself, on the incestuous relationship between drugs and empire, while recognizing that the opium trade also nurtured certain forms of indigenous capitalism in Asia. While he has focused on the global Asian opium scene, including India, China and Southeast Asia, other scholars have given more attention to the Indian context of the trade.
  - b. **Amar Farooqi**, in a book which is probably the most detailed history of the opium trade as seen from India, has stressed the contribution of the 'illegal' trade in Malwa opium to capital accumulation in Western India between 1800 and 1830.
  - c. **John Richards**, more than 20 years after his pathbreaking essay on peasant production of opium has returned to the topic with a wide-ranging survey of the contribution of the drug to the finances of British India.
  - d. In this essay, **Claude Markovitz** proposes to revisit the history of the Malwa opium trade with a view to discuss both
    - i. its general impact on capital accumulation in early 19<sup>th</sup> century western India and its link with imperial expansion.
    - ii. He focuses more specifically on the case of Sindh, a largely neglected region of the subcontinent, whose transformation into the main smuggling route for the drug after 1819, and according to Markovitz, was one of the factors that led to its integration into the British Indian Empire.

### SMUGGLING MALWA OPIUM TO CHINA THROUGH THE PORTS OF PORTUGUESE INDIA: A BRIEF SUMMARY OF THE FACTS

1. Cultivation of poppy in that region of Central India, traditionally known as Malwa, went back far in time: the crop of poppy in *subha* Malwa is mentioned in the *Ain-i-Akbari*, and the first Portuguese visitors to India remarked on the existence of an active export trade in 'Cambay opium' from the west coast of India, which was destined mostly for the Indonesian archipelago.

2. In the 17<sup>th</sup> century, Surat became the main hub of this trade, in which the Dutch East India Company was actively involved before the trade shifted to Bombay, from where it seems that, starting in the 1770s, small quantities were shipped to China.
3. But this did not affect the official trade of the English East India Company (EIC) in 'Bengal' or 'Patna' opium, mostly shipped from Calcutta, over which the Company had established a monopoly between 1773 and 1797.
  - a. The drug, smuggled into China by private traders because of the official interdiction of the trade by the Chinese authorities, but grown in Bihar under strict Company supervision, became the main item in the Indo-Chinese trade, basically allowing the British to import Chinese tea without sending too much specie to China.
  - b. It was only in 1803 that the Supreme Government in Calcutta, worried about the breach of its monopoly, started enquiring about the so-called 'clandestine' Malwa opium trade from officials in Bombay who reported on its antiquity and provided some information as to the producing areas and the trading circuits.
  - c. They mentioned the role played by the ancient city of Ujjain as the major market for the drug: there it was brought in a semi-manufactured state from all over Malwa and further refined before being sent towards the coast for export.
  - d. The purchasers were 'native merchants' who bought the opium either on their own account or as agents for firms located in port cities.
4. On receipt of this information about the trade, Governor-General Lord Wellesley instructed the Bombay Government to take immediate steps for its 'complete annihilation'.
  - a. In 1804, the authorities were further informed that 100 piculs (a Chinese measure of weight equivalent to 133 1/3 lb or 60.453 kg) of Malwa opium had been brought to Macao on board the ship Lowjeefamily, apparently from Goa, which added to their determination to put an end to that trade.
  - b. It was however easier said than done, and, when in 1805, the Bombay Government forbade to ship the drug through Bombay, the trade shifted largely to the Portuguese ports of Diu, Damão and Goa, which had regular maritime links with Macao.
5. That Portuguese enclave on the South China coast had become after 1799, following the strict measures taken by the Chinese authorities against the contraband trade at Canton, the main point of entry of the drug into China. The British turned then to the Portuguese authorities, and, under British pressure, the viceroy of Portuguese India agreed to forbid shipments from Goa and to instruct his subordinates at Damão and Diu to take similar action.

6. During the British occupation of Portuguese India, in 1805—10, the trade appears to have decreased significantly but did not disappear altogether, as ports in Saurashtra or even in British Bombay were used as alternatives.
7. With the return of Goa, Damão and Diu to Portuguese control in 1810, there was a new spurt in the trade, unnoticed by the British authorities till 1815, in 1815, the supercargoes of the EIC at Macao heard that 300 chests of Malwa opium had been brought to Macao and more than 200 to neighbouring Whampoa. They tried to persuade the Portuguese authorities to intervene against the trade, but, as a result of their interference, were themselves barred from dealing in opium at Macao till 1823.
8. Prevented from blocking the sea route by the attitude of its Portuguese ally, which understandably did not want to be excluded from the benefits to be gained from participating in such a lucrative activity, the EIC focused on trying to block the land routes between the producing areas, which were situated far inland and the exporting ports in Portuguese India.
  - a. To that effect, it sought to conclude treaties with its other allies, the native states of Gujarat, through which the drug had to transit.
  - b. Although the Gaekwar of Baroda, the Kathiawar chiefs and the rulers of Palanpur, Chhota Udaipur, Rajpipla and Porbandar duly signed agreements by which they promised to take measures against the transit of opium through their territories, the latter were not always actually enforced by their officials, some of whom were most probably in cahoots with the drug smugglers.
9. To satisfy the growing demand in China (itself, let us recall, a result of British policies, ineffectively resisted by the Chinese authorities), the 'Malwasowcars (*sahukars*), the mostly Marwari and Gujarati merchants-financiers who financed the cultivators, multiplied their advances to the producers. As a result, the output grew from an annual average of 300 to 600 chests of one picul each in the early 1800s to 900 chests in 1817.
10. In 1818, a chest of Malwa opium sold in Canton for (Spanish) \$680 as against \$840 for a chest of 'Patna' opium. It is not that the peasant in Bihar got more for his poppy than the one in Malwa: on the contrary, one estimate is that peasants in Malwa were paid three times as much for their crop as the cultivators in Bihar.
  - a. The price differential reflected mostly the overcharging of the Chinese consumer by a greedy monopolistic organization. Although it was sometimes stated by Company officials that the Patna product was of better quality than the Malwa sort, the Chinese consumer reacted mostly to price and sales of Malwa opium in China boomed.
11. In 1819, the Company decided to adopt a new strategy vis-a-vis that trade, which it was obviously not able to stop; it decided to take control of it, in the same way as it

controlled the Bengal opium trade. It proceeded to buy the entire Malwa opium crop and to auction it, both at Bombay and Calcutta, from where it could be shipped by the same merchants who shipped 'legally' (from the British point of view, the Chinese view being of course different) the Bengal opium.

12. **The new plan however failed**, as it proved impossible to control the entire supply,
  - a. one of the reasons being that the Malwasowcars responded to the new conjuncture by raising production considerably.
  - b. The more the Company bought, the more money they advanced to the producers, while continuing to smuggle through various outlets the part of the crop which they did not sell to the Company. In 1821—22, sales of Malwa opium in China reached 1,715 chests, and the following year they shot up to 4,000 chests, a level at which they remained during most of the 1820s.
13. **At the same time, to compensate for the closure of the route through Gujarat, a new route was found through Sindh, an independent polity** which had delicate relations with British India.
  - a. The new route appears to have been in use from 1819, but it was only in 1821 that Company officials took notice of it.
  - b. As it is described in various official reports, it started in Pahli, in the territories of the maharaja of Jodhpur, a small locality to which the drug was conveyed by caravans from the various marts in the producing areas of Malwa, of which the most important was Mundissore, near Ujjain.
  - c. From Pahli, it was carried on camelback to Jaisalmer and then crossed the Thar Desert via Umarkot on the Sindh side (Akbar's birthplace) to Hyderabad in the Indus valley from where it reached Karachi. From there, small boats took it to Damão in Portuguese territory from where it was shipped to Macao, to be smuggled into Canton (via the island of Lintin, which had become after 1815 the main hub of the contraband trade) and sold on the Chinese market.
14. **From Mundissore, it took approximately two months for the drug to reach Damão:** 15 days by mulepacks from Mundissore to Pahli, twelve days on camelback from Pahli to Jaisalmer, 30 days for the crossing of the Thar desert and the Indus valley to Karachi, and a 5 day boat journey between Karachi and Damão.
15. In February 1822, in a letter to the Supreme Government in Fort William, the Bombay Revenue Department expressed confidence that the restrictive measures taken to counteract the clandestine transit of the drug through the territories of British India and the allied native states had so forced up the cost of transit through what it called **the 'circuitous' Sindh route** as to render the operation unprofitable. In a cautious aside, however, tending to show that the officials in the Department had only limited faith in their own reasoning, they added that these difficulties 'would be considerably enhanced if the route through Jeysalmer and Pallie (sic) be closed, and

above all if the Ameers of Scinde could be induced to prohibit the transit of opium through the Scinde territories, and the port of Currachee in particular'

16. But they made it clear that the Company Government had 'not ventured to solicit such a favour from a government whose policy and suspicion of our views are of so averse a character'. Even if it had been solicited, one must add, it is most unlikely that the government of Sindh would have deferred to British wishes, as opium transit duties were increasingly providing it with the bulk of its revenues, a point to which we shall return.
17. **Unable to block the route to the sea, the EIC tried to impose treaties on the producing states** so as to regulate the output and the prices, and most of them entered into agreements by 1826. But Gwalior held out, and this considerably limited the effectiveness of the EIC policy.
18. **In 1830, faced with its continued failure at preventing the 'illegal' trade**, the Company government officially abandoned its policy of restrictions and tried to at least benefit from it by taxing it heavily. It levied a duty of Rs 175 per chest on all Malwa opium transiting through Bombay, but, since the smuggling through Damão continued unabated, it reduced it to Rs 125 in 1835.
19. Epistolary (letter writing) exchanges between the authorities in Bombay and the opium agent in Malwa, the man on the spot in charge of implementing government opium policy in the producing areas, led to the airing of some detailed information about costs, which is worth mentioning here.
20. The agent, in a letter to the Bombay Revenue Department, explained that, when the pass had first been introduced, the differential in the cost of transport of one chest from Malwa to the coast between the Bombay route and the Damão route had amounted to Rs 85 in favour of the former (which was not enough to cover the price of the pass, fixed at Rs 175), and that it had since been reduced to only Rs 66.
21. He estimated the cost of transport of one chest of opium from Malwa to Damao to be about Rs 100, as against Rs 34 for transport from Malwa to Bombay, an estimate which, by the way, does not tally exactly with the evidence he appended to his letter, based on information provided by native opium trading firms. The latter indicates a cost of only Rs 88 for the Damão route, as against Rs 42 for the Bombay route, that is a differential of only Rs 46, which seems more plausible.
22. Whatever the true figures were for the cost of land transport (and the agent might well have 'doctored' figures to exaggerate the differential, a way of defending his own record), given that the cost of maritime freight on the India-China run was only marginally lower on Portuguese than on British vessels (Rs 19-7-0 as against Rs 20-0-0, for one chest of opium), it was clear that the big difference in the total cost of transit of one chest of opium between Malwa and Lintin was entirely due to the price of the pass.

23. According to the calculations presented by the agent, the transit cost of that chest amounted to approximately Rs 100 less via Damão than via Bombay. The price of the pass amounted to much more than the total of the duties levied at different stages by various non-British authorities on the route.
24. Curiously, duties levied in Sindh do not figure in the calculations, which may be an oversight, but may also be due to a lack of detailed information. But another source estimates them to have been Rs 100 by chest in 1838, which would have tended to equalize costs. In spite of his own (not too reliable) evidence pointing to the fact that the high price of the passes was the main parameter enhancing the Damão route over the Bombay route, the opium agent did not plead for a drastic reduction. He advised the authorities at Bombay to reduce the price by a minimum of Rs 25. Although the government eventually settled for a reduction of Rs 50, from Rs 175 to 125, even this concession did not stop the trade through Damão, which continued unabated till at least 1839.
25. It is clear that, in their dealings with the 'illegal' Malwa opium trade, the Company authorities were hampered by their fiscal policies, especially after they had ceased, in 1833, to deal directly in opium. **Only a drastic reduction in the price of passes could have brought about an end to the trade through Sindh by making the attractions of the Bombay route irresistible.** But it would have meant accepting a fall in revenue for which the authorities were not ready.
26. **One can therefore surmise that the stopping of that illegal trade was not really a top priority for the Company. It was only when the Company occupied Karachi in 1839, as a preliminary step to its ultimately disastrous Afghanistan campaign, that it could actually close the Sindh route.** After the annexation of Sindh in 1843, some residual smuggling probably continued through other routes, but basically the Company was thence able to channel the trade through Bombay and to raise transit duties to Rs 200 per chest in 1843, to 300 in 1845 and to 400 in 1847.
27. **By the 1850s, the Malwa opium trade was yielding to the Government of India an annual revenue of over Rs 30 million, that is approximately 60% of total Indian opium revenue, having thus superseded 'Bengal' opium.**
28. The 'illegal' trade in Malwa opium, which occurred on a significant scale between 1803 and 1839, was certainly a thorn in the flesh of the EIC and prevented it, prior to 1833, from enjoying the fruits of a complete monopoly of this most lucrative of trades.
29. As to its **economic effects**, they are difficult to estimate.
  - a. The Bombay government lost revenue, mostly after 1819, but on the other hand, Bombay's loss was a gain to the governments of several native states, including Sindh.
  - b. Whether they put this increased revenue to good or ill use is of course a different question, to which no answer can be given here. It seems to me that

the story of the Malwa opium trade, which Markovitz says he has here briefly recounted, raises two different kinds of question:

30. The role of Indian merchants in the trade and the latter's contribution to capital accumulation in India, as well as the role the opium trade had in integrating certain areas of the subcontinent, in particular Sindh, which is the special focus of my attention, into the global colonial economy.

#### SUBVERSION OR OPPORTUNISM? THE ROLE OF INDIAN MERCHANTS AND OFFICIALS IN THE MALWA OPIUM TRADE

1. The Malwa opium trade mobilized different types of operators, whose identities varied overtime. Hence, the difficulty of presenting a clear picture and the temptation to exaggerate the degree of coherence of the operation.
2. Four different locations were involved:
  - a. The native states in Malwa, mostly Gwalior and Indore, where the poppy cultivation and the preparation of the drug took place;
  - b. The transit areas, that is the territories through which the drug had to be carried to reach the coast;
  - c. The ports, from where the drug was shipped to China;
  - d. And lastly, the cities where the capital was raised to finance the trade, and where also the official auctions took place, which had a direct impact on the 'illegal' trade.
3. In each type of location, there were different kinds of operators involved, which is why they have to be considered separately.
  - a. In Malwa, the producing area, apart from the peasants who cultivated the poppy, three different groups of agents were involved.
    - i. The first group consisted of the 'Malwa sowcars' (*sahukars*), a generic term for a whole range of operators, from local moneylenders to city bankers, often Marwari, who controlled the money market in Malwa. Amongst them were village banias who made advances to the cultivators and purchased the raw produce as well as big opium dealers in the cities of Malwa who centralized the produce. The former often borrowed from the latter funds, which they lent to the cultivators.
    - ii. The second group consisted of the *gomasthas*, both Marwari and Gujarati, who were the local agents of big Indian firms from Bombay or Ahmedabad. They bought the semi-refined produce from the *sahukars* and had it further refined so as to transform it into chests of opium ready for transportation.

- iii. The **third group** was made of officials from the native states, who, apart from 'protecting' the merchants, were often themselves directly involved in the trade. Thus, it is mentioned in one British source of 1824 that Ganga Appa, or Appa Gangadhar, who is described as 'the manager of Scindia's territories', is 'under hand' a partner with a big local merchant in all opium transactions. In another document, mention is made of a particular trading house 'belonging to Tantiah Joog, Holkar's (the ruler of Indore) Minister having sent to Damão 2,000 chests of opium.
  - b. **These three different kinds of agents were closely interlinked:** the big *sahukars* had particularly close relations with state officials, to the point that the two groups could be difficult to distinguish one from another.
- 4. The **transit areas presented a particularly complex picture.**
  - a. They were a patchwork of native states of various sizes, at first mostly situated in Gujarat, but after the area had fallen in 1803 under British direct or indirect domination, mostly in Rajputana, to which, from 1819 onwards, was added Sindh.
  - b. In the states of Rajputana, the main agents involved in the opium trade were,
    - i. on the one hand, Marwari merchants, who organized and financed the caravans crossing the Thar Desert;
    - ii. and on the other hand, state officials whose actions did not however attract much attention from the British and remain largely anonymous to us.
  - c. Under British pressure, they [state officials] seem to have acted sometimes to interrupt the caravans, but without much success, which tends to suggest that some of them had been bribed.
- 5. The **ports of shipment of the drug to China were many, but there was an increasing concentration of the trade in Damão.**
  - a. Prior to 1819 Mandvi in Kutch, Diu and Goa in Portuguese India, and other places are also mentioned, but at a later stage, they tend to disappear from the records.
  - b. Portuguese trade returns recently published by Rudi Bauss show that, in the years 1816—19, the share of Goa in Macao imports of opium (which came entirely from the ports of Portuguese India) varied between 4% and 23%, meaning that Goa accounted for a significant share of the trade. But after 1819, Damão seems to have practically monopolized the opium trade between Portuguese India and Macao.
  - c. **The main advantage of Damão seems to have been that it was less easily accessible by land than Goa (or Diu), and therefore, better adapted to the clandestine nature of the trade.** British officials rarely ventured there," and



the smugglers who entirely dominated the trade of the port (there was apparently no other trading activity) could operate quite freely. They just had to bribe the few local Portuguese officials (in Goa, where Portuguese officials were much thicker on the ground, many more would have had to be bribed). The 'Damão merchants' mentioned in British documents seem to have been mostly Gujaratis, judging from their names.

- d. In one document dated 1824, it is reported from Ujjain by the opium agent in Malwa that 'the heads of all the Gujarat Houses (i.e. firms) residing there ... have sent and established a House at Damão both for the purpose of present and future sales. It is clear that the Damão merchants were thus directly linked to the Malwagomasthas.
  - e. As to the boats doing the run between Karachi and Damão, they seem to have belonged either to native or to Portuguese merchants.
  - f. Shipping from Damão to Macao was on Portuguese ships, often hailing from Bombay.
6. The fourth tier in the system was represented by the big capitalists and speculators operating from a few cities, mostly Ahmedabad, Bombay and Calcutta. At different moments in time, European merchants and speculators were heavily involved in the illegal Malwa opium trade.
- a. In a minute dated April 1823, an official of the Bombay Opium Department, Warden, offered a brief history of that trade. He stressed that the trade in Malwa opium had been 'founded and increased by the enterprise of British Merchants, carried on by British capital', in position [persuasion?] not of national but of foreign interests, as nearly the whole has found protection and encouragement under the Portuguese flag from Damão and Goa, ostensibly for Portuguese merchants'.
7. This was a familiar pattern in the history of British private capital in India: when it found itself hampered by the regulations of the East India Company, it assumed the guise of non-British European interests.
- a. Markovitz adds that although European capital was present in the initial stages, the major role seems to have been increasingly played by Indian capitalists, mostly Parsis and Gujarati Hindus based in Ahmedabad and Bombay, who had their agents both in Malwa and in Damão.
  - b. They shipped the opium to Macao on Portuguese-owned vessels, and had Portuguese agents in Macao who despatched the opium to Lintin. They were the ones who invested the largest amounts in the trade and probably reaped most of the benefits, although many operators at different stages also took their cut.
8. Having thus described the different kinds of participants in the Malwa opium trade, and shown that they were interlinked in manyways, forming a whole supply chain

which linked central India with western India and southern China, we are faced with the question of whether they formed a real combine, or represented an aggregate of operators pursuing diverse aims and brought together artificially by the opportunities for profit represented by the opium trade.

- a. The British at times saw them as a combine. Thus, the opium agent at Indore, James Taylor, wrote in July 1822 that the Government faced 'combined, active and persevering competition on the part of the merchants of Malwa, Kota and Mewar in conjunction with the Chief Native Merchants of Bombay and Damão.
  - b. But this kind of statement was rare, and no big conspiracy theory surfaces through the mountains of official documents available on the Malwa opium trade.
9. Markovitz believes that Company officials saw their adversaries as a circumstantial alliance of wily speculators and corrupt state officials out to deprive the Company government of legitimate revenue. But, according to Markovitz, they did not see in that smuggling operation a major challenge to British rule.
- a. Amar Farooqi makes much of the presence of fairly large armed contingents to escort the smugglers' caravans, which did not hesitate to engage in skirmishes with the troops of the Company and its allies.
  - b. But Markovitz is of the opinion that although such breaches of Company Bahadur's monopoly on violence at times worried its officials, they were not of such magnitude as to represent a real threat to British law and order. The British were after all used to fighting armed smugglers at home: in Britain, the last encounter between the forces of the law and a gang of smugglers took place in 1833.
10. It is difficult to pinpoint the motivations of this range of very diverse operators. But
- a. Markovitz feels that the idea advanced by Farooqi of a conscious political defiance of the East India Company by indigenous capitalists does appear far-fetched, considering that in 1817—18, the last indigenous power standing up to the Company, the Marathas, had been soundly defeated and that, after that date, nothing stood in the way of Company Bahadur's domination over the whole of India.
  - b. He further states It would have been extremely unlike Indian merchants—on the whole stark realists (at least it is my reading of them)—not to accept the new realities and to harbour any hope of some return to the past. The key to their behaviour more likely resided in opportunism rather than in any 'subversion'.
11. This is not meant to deny them agency, but 'subversion' is a strong term when applied to capitalists: it cannot be equated with the everyday forms of resistance by poor and illiterate peasants.

- a. Unless we have some kind of proof of subversive intent on the part of Indian capitalists, we cannot simply ascribe to them that kind of intentionality. Their interests largely coincided with those of the rulers of the native states of Central India, and
  - b. one of the keys to the success of the whole operation was undoubtedly the close relationship established between the merchants-financiers and the authorities of the native states of Central India where the poppy cultivation took place.
12. Markovitz thinks that to sustain the thesis about 'subversion', one would have to be able to prove that the rulers of the native states of Central India were also engaged in trying to subvert British rule.
- a. Given the fact that they had just been defeated by British armies, it seems more plausible to assume that they were only trying to survive in the new conjuncture of unalloyed British domination. (Farooqi distinguishes between the attitude of Holkars regime, which he finds more amenable to British pressures, and that of Sindhias which appears to have been more intransigent).
  - b. Opium, which carried a higher rate of land tax than other crops, was a big potential money earner for them, and they had no reason to spurn its benefits.
  - c. By encouraging poppy cultivation in their dominions, they were just imitating what the British were doing in Bihar, and there was no moral or legal ground on which the Company could prevent them from doing so.
  - d. While the disbanding of their large armies had undoubtedly reduced the expenditure of the surviving Marathas states of Gwalior and Indore, it had also dried up large sources of revenue, and these states were in a dire financial condition.
  - e. Opium revenue was the remedy at hand to avoid financial collapse, and there is nothing intrinsically subversive in the fact that the native states of Central India seized on it.
13. As far as the merchants were concerned, they were reacting to a certain shrinking of opportunities linked to the advent of British domination in western and central India. Lakshmi Subramaniam has shown how the end of the 'Anglo-Bania' partnership led to a diminishing role for the merchants-bankers of western India in the first decade of the 19<sup>th</sup> century.
14. Trading in Malwa opium, for which there was a constantly growing demand in China, was an opportunity not to be missed. The Government was aware that restrictions on the trade might provoke discontent among the trading classes', but 'the fact that the development of the Malwa trade in the drug...was of very recent origin and was the result of the pacification of central India by British arms and treasure, was

considered to be a sufficient justification of an artificial restriction of their commercial dealings.' Ironically, the ineffectiveness of official attempts at restricting the trade between 1819 and 1829 saved the Government from facing the discontent of the trading classes, the prospect of which it appeared to take so lightly.

15. It is **difficult to measure the specific contribution** this branch of the opium trade made to indigenous capital accumulation in western India.

a. While there is no doubt that overall the profits of the opium trade were a major source of capital to the Bombay trading classes and largely account for the initial investment in cotton mills in Bombay from 1854 onwards, there is no way one can disentangle the profits gained in the 'illegal' Malwa trade from those accumulated in the 'legal' trade after 1819, since the same merchants were involved in both.

b. Besides, it is easy, in the absence of reliable figures, to form an inflated idea of the size of the profits gained in the 'illegal' trade. **It was a highly speculative venture, in which some undoubtedly earned large profits, but others severely burnt their fingers.**

16. A report of a visit to the producing area in 1824 written by the opium agent in Malwa, Swinton, brings out how **different outcomes** could be **for different types of operators**.

a. According to Swinton, 'Sowcars lose considerably by their speculation to Damão', and he provided detailed figures to support his point. 'But', he added, .

*merchants such as Punnah Chand, Hurruck Chand and LallooBeyo (?), who purchase for the house of BhoomanjeeHormusjee of Bombay, their case is widely different; they watched the market and the moment it fell under 60 Rs. ...they purchased largely in every mart...; they are safe receiving a Commission, and their principal... the opium at rates that promise profit.*

17. Here we see a clear **distinction between** on the one hand some **Sowcars, probably endowed with limited capital and forced to dispose of their stocks at the lowest point** in the price cycle, and on the other hand, the **gomasthas working for a big Bombay Parsi capitalist firm**, supplied with an abundance of funds, and therefore, able to play the market successfully.

18. The **overall contribution of opium to their capital accumulation is likely to be exaggerated in the absence of reliable figures** on firms' profits,

a. even in the case of **Bombay capitalists**, both European (Farooqi mentions the names of several Bombay-based British and Portuguese firms involved in

Malwa opium) and Indian, some of whom undoubtedly made great gains in the Malwa opium trade, both legal and illegal.

- b. As to the 'Malwasowcars', mostly Marwaris, we have seen that at times they lost heavily on the opium market, and it is impossible to evaluate precisely the contribution of opium to their own process of capital accumulation. In his seminal work on the Marwaris, Thomas Timberg focuses mostly on those profits that some Marwari merchants made in speculating on opium futures in the last years of the 19<sup>th</sup> century and the first decade of the 20<sup>th</sup> century, which are well documented. But he has little to say on the earlier period, for which understandably (since the Malwa opium trade was then a 'clandestine' operation) no records seem to have survived.
19. [Markovitz therefore concludes] A narrative of Indian capitalism that gives central place to the Malwa opium trade as a source of capital accumulation is therefore an alluring proposition, and different authors have succumbed to the slightly perverse appeal of that tune. But it remains largely speculative, in the absence of precise quantitative data on profits and investment in India in the first half of the 19<sup>th</sup> century. On the other hand, a closer look at one particular region, Sindh, shows that the impact of the trade was considerable.

#### SINDH AS A DRUG FRONTIER OF BRITISH INDIA

1. Between 1819 and 1839, most of the 'illegal' Malwa opium reached Damão through Sindh.
  - a. The reasons why the smugglers turned to that state were that it was the only coastal state in the subcontinent which was not in a treaty relationship with the Company, and that it was considered rather hostile to the British.
  - b. Besides, it had in Karachi a port that offered a fairly safe maritime route to Damão.
  - c. Even if the British resident at Kutch seems to have kept a close watch on the movements of ships between those two ports, there was nothing much the British could do legally to interdict ships plying between the two sovereign states of Sindh and Portuguese India.
2. Their only hope was to cut the land route that passed through some of the Rajputana states, mostly Marwar and Jaisalmer, which were in a treaty relationship with the Company. But even there they failed.
  - a. According to Markovitz one suspects that the Company was not ready to invest too much political capital on a venture that in any case, given the nature of the terrain, had little chance of success. Even nowadays, most of the smuggling between India and Pakistan passes through the Thar Desert between Rajasthan and Sindh!

- b. It is not known whether the Sindh authorities did anything to attract smugglers to the route through their territories.
3. It is most probable that the smugglers saw its advantages on their own and did not need any incentive, but a fruitful relationship appears to have been gradually established involving merchants and capitalists in British India as well as in the native states of Malwa and Rajputana, Sindh merchants, the Sindh authorities, and Portuguese merchants and shipowners who seem to have had their own connections with Sindh.
4. According to Markovitz such was the attraction of the Sindh route in the early 1820s that it was even reported that some 'Patna' opium had been despatched to Damão through Karachi, a very circuitous route indeed.
5. The Malwa opium trade became a crucial source of revenue for the Sindh *darbar* in the 1820s and 1830s as well as an important source of income for the Sindh merchants in the 3 major trading centres of the province, Karachi, Hyderabad and Shikarpur.
6. The notion of 'drug frontier' seems applicable to that region during the 1819—39 period, although it would certainly need further elaboration.
  - a. Markovitz states that it seems to him that 'frontier' connotes both a contact zone, and a certain absence of state regulation, but not necessarily a space ruled by the market.
  - b. A 'drug frontier' additionally involves the domination of transactions in a commodity, which is at least partly illegal.
  - c. In as much as its role was that of a transit route between the producing zones in Central India, the ports in western India, and the consumer market in China, and since the trade implied flouting British regulations, Sindh appears to fit the definition.
  - d. The same notion could be applied to Portuguese India during these years, but my focus here will be on Sindh.
7. The business of the Sindh merchants was not so much in trading in opium itself, in which they were at best junior partners of the big Parsi and Gujarati capitalists based in Bombay and Ahmedabad, as in organizing the caravans throughout the Sindh part of the route and in getting the duties levied on the caravans remitted to the Sindh authorities through their *hundis*, that is, native bills of payment.
8. Markovitz feels that it is impossible to estimate even roughly the profits the merchants derived from these operations, but they must have been significant, since in the post-annexation period,
  - a. the loss of that source of profit was often invoked to account at least partially for the overall reorientation in the activities of the merchants.

- b. Although little quantitative evidence is available on the finances of Talpur Sindh, stray British reports underline the importance of opium revenue to that fledgling state.
  - c. In 1823, the British Resident at Kutch, Gardiner, was informed that, following the restrictions on the opium trade, the value of the revenue farm of Karachi had more than trebled, while the farms of 3 small localities in the vicinity had also shot up.
  - d. In November 1830, Henry Pottinger, then the Resident in the neighbouring state of Kutch, forwarded to the Bombay authorities a letter from the native agent in Sindh, a local official who was the British representative at the Talpur court, asserting that, during the preceding year, a total of Rs 540,000 (Company) had been paid to the Amirs' treasuries in Khairpur, Mirpur and Hyderabad as duties on 2,400 camel loads of opium that had transited through Sindh territory at a rate of Rs 225 per camel load of 8 Surat maunds (a local measure of weight which was roughly equivalent to a quarter of a picul).
9. This [opium] probably represented by far the largest single item of revenue for the Sindh government,
- a. according to Markovitz, a weak government that could not tax its own population heavily.
  - b. How important that revenue was to the Sindh darbar is indicated in the same letter by the report of a negotiation into which the Sindh authorities entered with the merchants of Marwar and Jaisalmer. The latter asked for a reduction in the duties levied in Sindh and promised in exchange to bring increased quantities. The report commented,

*'The Ameers seeing the loss of revenue which they would suffer by this arrangement... immediately sent back word... that they would lessen the duty 5 Rupees on each camel-load and at the same time to tell the merchants to bring the opium quickly.'*

10. It is clear also from this piece of evidence that the merchants knew how to play different authorities one against the other so as to bring down their costs. If the Sindhians did not comply, they could threaten to use the Bombay route, which would have brought about an enormous fall in the revenues of Sindh.
11. When the British occupied Karachi in 1839 and imposed a treaty on the rulers of Sindh, no mention was made of opium.
- a. In March 1839, Noor Muhammad Khan, the ruler of Hyderabad (Sindh), applied to the British resident in Sindh, as reported by the latter, to ask him to address a letter to the ruler of Jaisalmer 'to the effect that the drug might

come through Sindh as it had done previously to our troops entering that Province'. The Resident declined to comply with the request and asked for instructions from the Government of Bombay, which relayed the demand to Calcutta. The response of the Supreme Government was clear: 'failing the reestablishment of a complete monopoly on the Bombay side like that of Bengal (an outcome which was obviously considered premature), the next best thing for both sides (meaning Bengal and Bombay) is a high rate of duty with limited export'.

- b. This was the death warrant of the Sindh route, which *de facto* ceased to be used.
12. Looking back on the episode, it becomes clear that, apart from boosting government revenues in the short-term, becoming a drug frontier of British India had other long-term consequences for Sindh. Not only did it tend to focus much more British attention on an unruly neighbour [Sindh], whom they had previously more or less left to its own devices, it also had the effect of bringing Sindh merchants into the whole structure of colonial trade and finance from which they had remained separated by the fact of the continued political independence of the region.
  - a. Whether therefore, closing the Sindh route to Malwa opium was or was not the prime motivation for the annexation of Sindh in 1843, as claimed by J. Y. Wong, the fact remains that its participation in the Malwa opium trade at least indirectly contributed to its coming into the British political sphere.
  - b. The drug trade could be instrumentalized by the British to bring Sindh into their imperial orbit, even if strategic considerations were probably paramount in dictating the decision to annex the province.
  - c. It had in particular, the effect of integrating the Sindh trading classes, which were mostly Hindu, into a global imperial trading system extending to China.
13. According to Markovitz some of Sindh's biggest merchants, in particular, the great Karachi *bania* Seth NaomalHotchand, helped the British conquer Sindh in 1839—43. Although their motivations were complex, and their actions ultimately self-defeating, since they lost the revenues they had derived from the opium trade after the British occupation, it seems nevertheless that their participation in the Malwa opium trade played a role in forging their connection to the British.
14. A different outcome would have been possible, Markovitz feels, only if the Sindh authorities had used the additional income they derived from the opium trade for the purpose of modernizing their army and administration to strengthen their regime in the face of British Indian encroachments. But this they failed to do for reasons of a largely structural nature, as the Baluchi tribal regime of the Talpurs had no cultural propensity or incentive to embark upon far-reaching reforms that would have endangered its own existence. Ultimately, therefore, one is led to emphasizing



the link between opium and imperial expansion rather than its role in fostering indigenous capitalism.

15. In a broader political economy perspective, how to interpret the existence of an 'unofficial' circuit of opium trade to China in breach of the monopoly of the East India Company and its capacity to survive for almost four decades in a subcontinent which, after 1818, was clearly under British domination?
  - a. It raises firstly, the general question of the relationship between smuggling and states. Although smuggling tends to deprive states of income, it is also a direct outcome of state policies, and never have states been able to completely prevent smuggling.
  - b. Smuggling can be said to be structurally linked to the creation of state borders. As the author of a recent history of smuggling in Southeast Asia put it, 'boundary production and boundary transgression' can be shown to be 'two sides of the same coin'. Smuggling has rarely threatened the state and taken on a subversive political dimension, as it did in colonial North America at the time of the Boston Tea Party.
  - c. There is no compelling reason to view the smuggling of Malwa opium as one of these rare occurrences.
16. Markovitz is of the opinion that, rather than seeing in it a testimony of ongoing resistance to British economic domination by indigenous actors, as Farooqi does, it seems more sensible to characterize it as a phenomenon of residual leakage, due to the fact that the maritime frontiers of India were at the time not entirely controlled by the British.
  - a. There remained ports that were under the control of non-British rulers, in particular, on the west coast: apart from Dutch Cochin (which was ceded in 1826 to the British) , the ports of Sindh, mostly Karachi and the Portuguese ports of Diu, Damão and Goa. The existence of these non-British enclaves offered obvious opportunities to 'smugglers', especially given that Macao, to which the drug was shipped for entry into China, was also under Portuguese control.
  - b. Actually, it was the combination of Portuguese naval enterprise, together with British and Indian speculative capital (in league with the authorities of some of the native states) that made the whole operation possible.
  - c. Without Portuguese ships to carry the opium from Damão to Macao, it could simply not have reached the Chinese market. The Portuguese input in the Malwa opium trade story is therefore essential, a fact that Farooqi recognizes, but from which he does not derive any qualification of his thesis about indigenous 'resistance'.
17. Markovitz believes

- a. For their part **Portuguese officials were purely opportunistic and devoid of any political motives**. The Portuguese were too much dependent globally on the British, especially after the loss of Brazil in 1822, to mount any kind of challenge to them in Asia, and Portuguese officials just made use of the opportunities offered by the channelling of the Malwa opium trade through ports that were under their rule to line their pockets.
  - b. As for the **Sindh rulers**, they **were too weak** to do anything more than fill up their depleted coffers while the going was good.
  - c. **No real anti-British alliance between those two minor powers**, Sindh and the *Estado da Índia*, was in the cards, and Indian capitalists were sufficiently shrewd to know that. They also were content with making the best of a god-sent opportunity, but without harbouring any idea of challenging British economic domination, which would have been a dead end.
18. It is interesting to note that, **as soon as China had been 'opened' by British guns in the wake of the First Opium War**, the same Bombay Parsis and Gujaratis who had organized the smuggling of Malwa opium became the agents of the big private British firms in Canton. One particular Parsi operator, Sir Jamsetjee Jeejeebhoy is known to have supplied the big firm of Jardine and Matheson with a third of the opium they had in their Canton warehouses in the mid-1840s.
19. **Indigenous capital accumulation was fostered as much if not more by this participation in the 'legal' drug trade after 1842 than by the profits derived from the smuggling of Malwa opium in an earlier period**. Even in the post-1842 phase, it is possible to exaggerate the importance of opium's contribution to capital accumulation in Bombay.
20. A quick look at the **history of** the best-known Bombay firm, the **House of Tatas**, shows that,
- a. while it participated actively in the opium trade with China after 1842, **two non-opium ventures contributed even more decisively to the initial fortunes of the firm**.
    - i. One of these was its participation in the financing of the British military expedition to Persia in 1856, and
    - ii. the other was its role in the financing of the military expedition to Abyssinia in 1867, which can be directly traced as the source of J. N. Tata's first venture into the cotton textile industry.
21. Even **the fortunes of Bombay's capitalists were more closely intertwined with British-led ventures** than admitted by Farooqi, who attempts to make the great western Indian port-city the **stronghold of an 'indigenous' capitalist class relatively independent from the British connection**. Actually, Ahmedabad better answers that definition, and its link to Malwa opium, although not insignificant, has been much more tenuous than Bombay's.