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**Chinese Tea Industry and Trade in the 19th
Century: From Monopoly to Decline**

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**Presented in partial fulfilment of the requirements
for the Degree of
M.Sc. in Chinese Study**

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Abstract

Tea played an important role in the current world. China was the birth place of tea and made tea become worldwide between the 18th and 19th centuries. However, after mid-19th century, China exported less tea to Britain and she lost her monopoly position in the global tea market gradually. Finally, Chinese tea industry went into decline and disruption.

The objective of this dissertation is to illuminate the process through which the Chinese tea trade monopoly was destroyed. The reasons why Chinese tea industry and tea trade went into decline and disruption in the 19th century have to do with the Britain-China social-economic relationship. To begin with, the introduction will provide some information about this dissertation, such as research question, research method and literature review.

Subsequently, the third chapter gives a general background of tea trade between Britain and China, by which to explain when and how tea was imported from China by British merchants. The fourth chapter mainly explores the tea and opium trade within Anglo-China relationship in the 19th century. The final chapter o mainly discussed India's strength in tea production and selling thus explaining the reason why Chinese tea industry declined.

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Chapter 1: Introduction

1.1 Statement of the Problem

Apart from water, tea is more widely consumed than any other food or drink. Tens of billions of cups are drunk every day. Yet two thousand years ago it was only chewed or drunk in China (Macfarlane and Iris, 2003). Ancient China had a near monopoly on this plant. Furthermore, China was the only country to make it an economic crop before the 19th century, so the tea was also called “the liquid jade” (Rose, 2009). Between the late 18th century and the beginning of the 19th century, coinciding with the Industrial Revolution, tea came into Europe, and became prominent in daily life (Savidge and Keegan, 2013).

However, after mid-19th century, China exported less tea to Britain and she lost her monopoly position in the global tea market gradually. Finally, Chinese tea industry went into decline and disruption. How did this phenomenon happen? What are the reasons behind this phenomenon? The dissertation will draw a picture of global tea trade among Great Britain, India and China by which to give detailed reasons to explain this “transformation” in terms of social-economic relationship between Britain and China.

1.2 Purpose of the Study

The objective of this dissertation is to illuminate the process through which the Chinese tea trade monopoly was destroyed. The reasons why Chinese tea industry and tea trade went into decline and disruption in the 19th century have to do with the Britain-China social-economic relationship. In order to illuminate this problem, the dissertation will address these questions: what were the motives of the British merchants and government to break the tea trade monopoly of China? How did they achieve this goal? What were the challenges and difficulties Chinese tea industry encountered at that time? Apart from that, through researching tea industry in China, the dissertation aims at explaining how the Chinese economy and society entered the global stage.

1.3 Significance of the Study

In the 19th century, the tea trade was of great importance not only for China but for international trade as well. Tea became a global product in the 18th century, which had significant impacts on the Chinese and international economies. More accurately, China got in touch with the world at that time through its tea trade with Europe and America. The First Opium War (1840-1842) was closely connected with tea. Although previous researches have focused this issue, what I want to do here is to explain this phenomenon in terms of Britain-China relations. Therefore, the research on the tea industry and trade in the 19th century is of great theoretical significance for understanding China and the world at that time.

Furthermore, through illuminating this question, the dissertation helps explain why the empire of China collapsed quickly. Finally, the dissertation will draw some lessons from history in order to give some suggestions to the current Chinese tea industry when they are competing with tea companies from the rest of world. This is the practical importance of this dissertation.

1.4 Research Method

The dissertation mainly utilizes qualitative methods to analyze this phenomenon. It is well acknowledged that qualitative data provides a rich, detailed picture to be built up about why people act in certain ways, how they understand meanings, how they look at, describe and understand experience, ideas, beliefs and values. And its main characteristic is that it collects and analyzes non-numeric data. For the topic I am going to research here, qualitative method may be the most appropriate method.

There are different ways in which I could collect data for my qualitative research project. What I choose here is archival or document based research. Even though most of data I collected in my dissertation is second-hand sources, I make full use of limited primary resources and analyze opinions in second-hand sources critically. Hopefully the dissertation will look at this issue from an innovative perspective.

Apart from qualitative methods to research this question, the dissertation will use empirical approach to support my opinion, which will make full use of literary material and statistical figures. However, it is relatively difficult to collect historical data in the 19th century. So I will use limited numeric data to explain some key events in this period such as tea and opium trade. In order to research tea trade in 19th century completely, it is necessary to compare tea trade with opium trade between Britain and China. Comparative study is another important research approach based on qualitative methods.

Last but not least, I will use globalization theory as my theoretical perspective (Adda, 2000; Arrighi *et al.*, 2003; Carl, 1999; Liang, 2002). On the one hand, globalization is a process of economic development (Arrighi *et al.*, 2003). On the other hand, tea and opium trade in the 19th century constituted a major process of globalization in China (Carl, 1999). Between the 18th and the 19th century, China began to interact with the rest of the world and engaged in global trade. Additionally, many events in China such as Self-Strengthening Movement (1861-1895), Hundred Days of Reform (1898), Boxer Rebellion (1899-1901) had close connection with rest of world especially Europe and America. Therefore, it is necessary to study Chinese domestic issues especially economic issues in terms of a globalized perspective. Furthermore, neither Eurocentric nor China-centered perspective could draw a full picture of social-economic activity at that time. Based on the opinions above, globalization theory may help give a relatively comprehensive answer to this question.

2. Literature Review

Research into tea industry and tea trade has a long history. First, many scholars have focused on general history of tea, providing even all aspects of tea and tea industry. The history and general aspects of tea have been tackled by Ukers (1935), Evans (1992) as well as by Mair and Hoh (2009). Initially, William H. Ukers published his book, *All about Tea*, tried to describe all dimensions of tea. The book gave an authoritative compendium of information on historical, technical, scientific, commercial, social, and artistic aspects of tea. The largest portion of the work deals with commercial history and practice. Mr. Ukers found it not only a beverage which has entered into world commerce, but a fascinating story as well of history, travel, romance, and art. However, statistics of the course and volume of trade, competitive influences, the expansion of investment, and changes from one to another period of development are not integrated into a comprehensible whole. Moreover, the book serves as a mine of information rather than a work in dynamic commercial history (Ukers, 1935).

John C. Evans also tried to draw a whole picture of tea but his main focus was China. His book, *Tea in China*, is a well-informed and discursive walk through Chinese history in which much lore about tea is related. The book is comprised of twelve chapters, usually based on chronological divisions. This book contains various times in Chinese history, relatively pays less attention to global tea trade in 19th century (Evans, 1992). In recent years, Victor H. Mair and Erling Hoh published his book, *The True History of Tea*, which tries to present a challenge for previous scholar by depicting a “true” history of tea. The author argued that the tea we drink are diverse because of the geographies, histories, and cultural stories behind them. The book introduced the notion that London was Europe’s coffee-drinking capital in the early 1700s, but the city converted to tea when that became the prime colonial crop. But it has a very slender chapter on teas of India and Ceylon, and a brief coda on global taste movements in tea today (Mair and Erling, 2009).

Second, much of current literature on tea pays particular attention to global trade such as Greenberg (1951), Wakeman (1978), Frank (1998) and Gong (1999). Michael Greenberg’s careful study of British trade with China prior to the Opium War is based heavily on the papers of Jardine Matheson & Co., the premier private firm engaged in this trade, and the *Chronicles of the East India Company*. Apart from that, he also draws on a variety of other British writings from the period. However, the absence of Chinese sources emphasizes the limited aim of the research, which is to analyze the trade from the perspective of Britain and particularly through the eyes of the many Scots who ventured to the East in search of glory and gain (Greenberg, 1951). By contrast, Frederic Wakeman’s work mainly focuses on tea and tea trade from the Chinese perspective. Wakeman’s work is the chapter 4 of the book *The Cambridge History of China. Volume 10: Late Ch’ing, 1800-1911, Part I*. Wakeman’s chapter

“The Canton Trade and the Opium War,” points out how the dynasty’s belief in its military superiority, skill in civilizing outsiders, and possession of trading goods to entice foreigners into tributary status were all anachronistic and detrimental to China’s real security (Wakeman, 1978).

A large and growing body of literature has investigated global trade in 18th and 19th century regarding tea trade as an important part of it. Hao (1986), Frank (1998) and Lin (2006) did excellent research in this area. Gunder Frank’s book, *Reorient: The Global Economy in the Asian Age*, maps the flows of trade and bullion around the world from 1500-1800, presenting along the way a critique of the “Eurocentric” world history practiced by historian Fernand Braudel and sociologist Immanuel Wallerstein. The book has been criticized for exaggerating the depth of the world economy before the industrial revolution, but it presents a major challenge and significant corrective to accepted views of the early modern world system (Frank, 1998). Similarly, Man-houng Lin emphasized the role of silver, offering a sweeping and bold reassessment of nineteenth-century Chinese history (Lin, 2006). Yen-P’ing Hao’s work focuses on the role of the Treaty Port which is a crucial issue for China’s pre- and post-revolutionary economy. The book offers the most comprehensive, thorough and easily accessible account of China’s nineteenth-century commercial revolution and its consequences (Hao, 1986).

Third, some previous research into tea trade in 18th and 19th century has focused on the role of some special region within Chinese territory such as Rowe (1984) and Gardella (1994). William Rowe’s primary goal is to challenge the notion, carried forward in various studies since its initial formulation by Max Weber in *The City* (1921), that much of the difference between China and Europe in the nineteenth and twentieth centuries is a product of the insufficient development of urban social, political, and economic institutions. His focus is Hankow, a tea distributing center along the Yangtze River becoming a treaty port after the Opium War (Rowe, 1984). Robert Gardella considered the nature of the late traditional Chinese economy and the impact on China of expanded foreign trade after 1842. His book is the most important work on the history of Chinese tea in many decades, but he does not attempt to deal with all aspects of Qing production and distribution. Rather he narrows his research to Fujian province, a traditional center of tea production (Gardella, 1994).

Fourth, in recent years, there has been increasing amount of literature about the significance and importance of tea in history from historical or social-economic perspective. Macfarlane and Iris (2003), Sharma (2006) and Rose (2009) published research on this issue over the past decade. Alan Macfarlane, a descendent of a tea plantation owner, is the world’s foremost expert on tea and its social impact. He argued that tea was the first global product. It altered life-styles, religions, etiquette and aesthetics. And he thought that British industrial revolution was fuelled by tea,

sealing the fate of the modern world (Macfarlane and Iris, 2003). Jayeeta Sharma's work traces the interactions of science, ideology and economy which integrated Assam into imperial and global commodity networks as a tea "garden". It discusses how imperial botanists and their colonial subordinates conceived of botanic gardens as a conduit for transplanting plants such as tea into British-ruled territories (Sharma, 2006). Sarah Rose pays attention to the East India Company and the extraordinary decision of sending botanist Robert Fortune on a dangerous mission to steal the tea plants from deep within China, by which to explain that how this "liquid jade" spread across the world (Rose, 2009).

Apart from tea trade, the botanic garden has received intense scrutiny for its critical role in the expansion of British Empire (Sharma, 2006). Lucille Brockway's (1979) pioneering work has shown how these imperial botanic gardens undertook transfers and scientific plant development that allowed new crops to be introduced into tropical colonies, usually on a large-scale plantation area. In addition, Richard Drayton (2000) has profoundly extended our understanding of the metropole's political connections with science by examining how the botanic garden acted as 'a complicated theatre of virtue'.

Finally, there is an interesting research area isolated from the areas listed above. That is the research about "drugs". The book *Forces of Habit: Drugs and the Making of the Modern World* set is a good example (Courtwright, 2001). Courtwright undertook to link together the separate histories in a big picture narrative of discovery, interchange, and exploitation of the planet's psychoactive resources. Coffee, heart-healthy wine, cigarettes and tea are all on Courtwright's list. Moreover, the author concluded that alcohol, tobacco and caffeine (the "big three") and opium, cannabis and coca (the "little three") all owed their success to the expansion of oceangoing commerce. Courtwright contended that the profit motive helped shape the way we are hooked on drugs. Courtwright help us to understand why the British had such a huge passion for tea and the Chinese relied heavily on opium, which caused the decline of Chinese tea industry directly.

Chapter 3: British Import of Tea from China

This chapter will give a general background of tea trade between Great Britain and China, by which to explain when and how tea was imported from China by British merchants. Furthermore, how the British people looked at this trade will be presented in the following part of this chapter.

3.1 Tea and the Industrial Revolution

It is well acknowledged that the Industrial Revolution was the transition to new manufacturing processes in the period from about 1760 to sometime between 1820 and 1840. The Industrial Revolution which happened in Great Britain improved efficiency of water power, increased use of steam power, encouraged the development of machine tools and led to the rise of the factory system. More importantly for this dissertation, the textile industry was the dominant industry of the Industrial Revolution (Landes, 1969). In fact, besides these improvements and industries, tea played a significant role in the development and continuation of the Industrial Revolution. During the period of Industrial Revolution, farmers flooded into cities in search of work, and local factories provided them with jobs. Most of the jobs were long, boring, dangerous and grueling. It has been argued that tea stood behind every step of this monumental shift in society (Savidge and Keegan, 2013).

In 1664, as part of the dowry of Portuguese princess Catherine of Braganza when she married Charles II, tea was first introduced into England from China (Greenberg, 1951; Hanes and Sanello, 2004; Rose, 2009). After it was imported into Great Britain, tea became a favorite way among the upper classes to signify civility and keep warm in the chilly climate of Britain (Rose, 2009). Tea was appointed as a drink for parliamentary debate for British government in 1669 (Chen, 1991). Before the 18th century, tea was mainly consumed among the upper classes of British society. While at the beginning of 18th century, tea was sold in grocery stores of British cities, which means that it rapidly percolated downward through society (Chen, 1991; Ward, 1994). By the mid-eighteenth century, tea was spread among rural areas of Britain and had become the most popular drink throughout the country, outselling even beer (Chen, 1991; Rose, 2009).

First, one of the most important advantages of tea was its ability to prevent mass pandemic (Savidge and Keegan, 2013). Because of the process of boiling the water used for tea and the tannic acid in the drink, consumers could prevent diseases such as cholera, typhoid, and dysentery. More seriously, if these epidemics were to be released into the crowded cities that were prevalent throughout the Industrial Revolution, it was a fierce disaster for British people living in urban areas. Between 1750 and 1850, the proportion of the British population living in towns rose from 15 percent to nearly 40 percent (Ward, 1994). Because of tea drinking in urban areas,

conditions of urban life improved significantly. Demographers and doctors observed a drop in the mortality rate as tea became increasingly popular (Rose, 2009).

Because tea improved the health and comforts of people, it helped people tolerate extremely difficult conditions in factories (Macfarlane and Iris, 2003). After drinking a cup of tea, the workers' muscle coordination would be improved. The employees working in factories were constantly available for heavy work. The large supply of efficient and healthy worker was crucial to the continuation of Industrial Revolution (Savidge and Keegan, 2013). Therefore, the success and length of British Industrial Revolution were benefited from tea's popularity.

While tea became a part of people's daily life during the period of Industrial Revolution, conversely industrialization had an effect on the production of tea (Savidge and Keegan, 2013). One of the most significant transformations was improvement of transportation. Tea gave rise to the fastest ships under sail and their speeds had never been reached before (Rose, 2009). In the first two hundred years of the tea trade, British merchants used "tea wagons" to import tea from Canton to the Mincing Lane auction in London, which cost nine months after picking and sometimes even an entire year (Rose, 2009). The nineteenth century saw tremendous technological advances in shipbuilding. After 1815, ships in Britain became longer, sleeker, and faster (Rose, 2009). The new ships were called tea clippers. They were easily recognized by their long, low hulls that had a "fish head" stern hanging sharply over the water. With the processing of Industrial Revolution, a steamship (or steamboat) could reach China in half the time of a clipper (Rose, 2009). New steamships increased the speed at which tea could be traded and made tea more universally available (Savidge and Keegan, 2013).

Last but not least, tea played an important role in changing people's life style in the period of Industrial Revolution. Britons preferred tea with sugar, which provided them a convenient source of calories (Rose, 2009). Prior to widespread tea drinking, workers in factories got much of their calorie intake from beer and ale. But a drunk worker was truly a danger in textile factories. Later on, Britons found that tea was a great substitute for beer. Moreover, there was not enough farmland to cultivate wheat in the industrial era, so tea with milk or sugar became the answer to Britain's growing need for cheap nutrition (Rose, 2009).

Apart from that, tea altered gender relations. Tea's social function made much easier for women to socialize together. And it changed the nature and shape of meals in England. For example, tea meant Britons could have a lighter breakfast, because it gave some of the energy they needed in the morning (Macfarlane and Iris, 2003). Another emerging phenomenon was afternoon tea. Tea has to boil water and wait, which means slowing down to make time for ceremonial and ritualistic behavior. It

became a ceremony to some extent (Macfarlane and Iris, 2003). It had initially been a ceremony in the higher orders of society. Then teatime between noon and evening became a period of enjoyment among nearly all classes in Britain (Rose, 2009). Therefore, tea deeply spurred the Industrial Revolution and influenced British people in this era.

3.2 British East India Company and Country Traders

In 1600, Queen Elizabeth I founded the British East India Company (EIC)¹ and granted her royal charter to this company in order to establish an enterprise to conduct East Asian trade² (Rose, 2009; Savidge and Keegan, 2013). In the early period of EIC, it was designed for spice trade rather than tea trade. And the Company also imported silk fabrics and some luxuries including porcelain and lacquer from Asia for the upper class of British society (Greenberg, 1951). But later on, it found tea trade with China to be profitable and began to import tea from China (Savidge and Keegan, 2013).

On 6th April 1637, EIC first shipped out tea from Guangzhou Province of China. In 1644, EIC set up an agency in Xiamen which was responsible for the tea trade from China to Britain (Chen, 1991). After that, EIC brought its first shipment of Chinese tea to Britain in 1669. Furthermore, a vast and profitable trading network was established between these two countries (Savidge and Keegan, 2013). In 1700, British grocery stores began to sell tea to ordinary citizens, which meant tea consumption had spread downward. Facing the growing domestic demand for tea, EIC commanded that all of its ships which were going to return to Britain had to be filled with tea (Chen, 1991). By 1721, tea imported to Britain first exceeded a million lbs (Chen, 1991). In the same year, after recognizing the value of their trading partner, China granted EIC a monopoly on the tea trade. And this increased British profit significantly but it also caused an immense deficit to China as a result of their profit (Savidge and Keegan, 2013).

In the last several years of the Company's monopoly, it was tea that was the only good imported from China by EIC. The tea trade run by EIC was a significant profit center for the government, a multibillion-pound industry, constituting as much as 10 percent of the total British economy as measured by tax revenues to the exchequer (Rose, 2009). Apart from that, tea contributed all of the profit EIC made from China (Greenberg, 1951). Tea had already become a national drink for Great Britain. However, Chinese people had relatively little interest in goods produced in Britain, so China imported few products from this country. Over the first twenty years of EIC,

¹ The East India Company (EIC), also known as the Honourable East India Company or the British East India Company and informally as John Company, was an English and later British joint-stock company. Carey, *1882-The Good Old Days of Honourable John Company*.

² Maybe because of Dutch merchants rise the price of pepper, a group of London business men organized which aimed at trading towards East India trade. The organization later called East India Company. Foster, *England's Quest of Eastern Trade*.

the Company sent 753,336 pounds sterling (mainly in the form of Spanish silver dollars³) to China whereas the total value of exported goods was only 351,236 sterling pounds (Morse, 1926). In 1699, a ship bound for China loaded 26,611 pounds silver and only 5,475 pounds goods. Most of goods were woolen goods and a quarter of them did not sell in Chinese market (Greenberg, 1951).

Because the British market had huge demand for Chinese tea whereas Chinese society showed small enthusiasm towards products made in Britain, a great amount of silver flowed from Britain to China in order to import tea for British domestic consumption. However, although Chinese refused British goods, they tended to import products made in India especially raw cotton and opium (Greenberg, 1951). EIC controlled most of the production process of these two commercial crops. The Company exported a large amount of raw cotton and opium to China to cover the cost of tea imports. After 1804, the Company exported very little silver from Europe to China and even found it was no longer necessary to buy tea with silver (Greenberg, 1951). By contrast, China began to lose money she earned in the early period of trade. Between 1806 and 1809, China exported 7 million yuan which was exported to India, by which to cover the payment balance (Morse, 1926). The trade value between India and China increased sharply. It rose from around 10 million yuan in 1817 to 20 million yuan in 1833 (Morse, 1926).

Table 1. Tea Imported from China by East India Company (Annual Mean Value between 1760 and 1833)

| Year | Total value of exported goods (taels) | Total value of tea (taels) | Tea as a Proportion (%) |
|-----------|---|-------------------------------|----------------------------|
| 1760-1764 | 876846 | 806242 | 91.9 |
| 1765-1769 | 1601299 | 1179854 | 73.4 |
| 1770-1774 | 1415428 | 963287 | 68.1 |
| 1775-1779 | 1208312 | 666039 | 55.1 |
| 1780-1784 | 1632720 | 1130059 | 69.2 |
| 1785-1789 | 4437123 | 3659266 | 82.5 |
| 1790-1794 | 4025092 | 3575409 | 88.8 |
| 1795-1799 | 4277416 | 3868126 | 90.4 |
| 1817-1819 | 5139575 | 4464500 | 86.9 |
| 1820-1824 | 6364871 | 5704908 | 89.6 |
| 1825-1829 | 6316339 | 5940541 | 94.1 |
| 1830-1833 | 5984727 | 5617127 | 93.9 |

Source: Yan, Z. P. (2001). *Modern Chinese Economic History*, p.14

³ Spanish silver dollars were the equivalent of today's American dollar, an international currency.

The trade between India and China between 17th century and 19th century was called “Country Trade”.⁴ Country Trade was run by private businessmen (Greenberg, 1951). The Country Traders seem to have resembled Chinese counterparts in 17th and 18th century, who worked within the interstices of state monopolies. However, unlike their Chinese counterparts, the Country Trader was indispensable. The most fundamental reason was that the British could find nothing manufactured in Europe which the Chinese would consume in quantities proportional to the gigantic English demand for tea. The EIC monopoly system was unable to finance the trade by itself. All exchanges, save for the direct transport of tea, worked through the Country Traders, so the Country Traders could get the support from powerful groups in London (Greenberg, 1951; Wakeman, 1978). Another advantage for Country Traders was that they had intense relationship with each other (Greenberg, 1951). Most of their business was run by their family members, so they tended to overcome all the difficulties collaborating with their relatives or friends.

In 1828, China imported goods from Britain whose total value was 20,364,600 yuan. EIC constituted 4,518,957 yuan of the total value and Country Traders contributed 15,364,600 yuan of the total value (Morse, 1926). The money made through Country Trade contributed greatly to the tea trade between China and Britain. Furthermore, Country Trade even became an inevitable way to supply capital invested in tea trade. EIC attempted to control the trade between India and China in 18th century, but the Company gave it up and left this trade to Country Traders (Greenberg, 1951). Over the last years of EIC, it just focused on the tea trade with China.

3.3 Commutation Act

Although the East India Company had a monopoly on tea trade, it also faced significant threats from smugglers. Before 1784, duties of tea varied including tariffs, tribute, subsidies duty and surtax (Greenberg, 1951). Custom and excise duties on domestic consumption tea reached between 75.9 percent and 127.5 percent (Morse, 1926). In the period of 1773 to 1783, the Company had been selling less than 6 million pounds a year, the rest being supplied by smugglers (Cole, 1958). In 1784, smuggling presented a great threat to public revenue (Cheung and Mui, 1961). William Pitt, the British Prime Minister from 1783 to 1801, wanted to solve financial difficulties of the East India Company. High duties and smuggling behaviors had adversely affected the EIC’s profits. For example, a statement of 1783 informed the Company’s proprietors that duties on goods imported by the Company curtailed the amount of the Company’s sales (Cheung and Mui, 1961).

⁴ The origin of “Country Trade” is unclear. Primarily it was used as a concept to describe the trade between India and its neighbor coastal ports. Afterwards, it referred to India trade towards East run by local and European merchants. Greenberg, *British Trade and the Opening of China 1800-42*. P9.

Moreover, he also wanted to change the situation of the deterioration of public revenue which had resulted from previous mismanagement and the growth of smuggling. William Pitt thought that the most effective way to destroy the smuggling of tea was removing the temptation for it by reducing tea prices to render the illicit trade unprofitable (Cheung and Mui, 1961). In addition, to acquire the necessary quantity in China, the Company had to compete with other foreign exporters so it was necessary to make it no longer worth the while of foreign East India companies to bring so much tea to Europe (Cheung and Mui, 1961). In order to achieve that, a drastic reduction of tea duties was necessary.

Finally, Pitt demonstrated his ability by enforcing the Commutation Act in 1784. The Act aimed to destroy tea smuggling and to establish a complete monopoly of tea import by the EIC by reducing custom and excise duties on tea from 119 percent to 12.5 percent (Cheung and Mui, 1961; Ward, 1994). The Commutation Act of 1784 marked a turning-point in the history of the British tea trade. In addition, the Act confined how the EIC was to conduct its tea trade and thus significantly qualified the monopolistic powers which the Company frequently exercised previously (Evely and Little, 1960). In fact, after the enforcement of the Commutation Act, the EIC's trade was confined to the import of tea from China and to auction sales in London. The domestic distribution was in the hands of the dealers (Cheung and Mui, 1963).

Section five of this Act showed the framework within which the Company was to import and to sell tea. It was required (1) to import sufficient tea to supply the domestic market, (2) to maintain in its warehouses a quantity equal to one year's consumption, (3) to hold public sales by auction four times a year 'at equal distance of time', (4) to put up tea for sale at prices which should not exceed the prime cost, the freight and charges of importation, the lawful interest of capital from the time of the arrival of such tea in Britain, and the common premium of insurance,⁵ and (5) to sell such tea 'without reserve to the highest bidder, provided an advance of one penny per pound should be bid upon the prices' (Cheung and Mui, 1963: 234).

After the implementation of the Commutation Act, Britain increased tea importation from China drastically. The import of tea from China to Britain reached to 15 million lbs in 1784 (Black, 1999). During the first three years after the Commutation Act, there was great demand on the Canton market (Cheung and Mui, 1963). Other European countries felt that it was less profitable to participating in the tea trade, so they tended to decrease tea import. For example, between 1776 and 1780, English East India Company imported 210,207 dan tea from China⁶. France, Netherland, Denmark and Sweden imported 488,372 dan tea in the same period. However, in the period of 1786 to 1790, EIC increased the importation to 774,075 dan whereas other

⁵ For the first four sales the put-up prices were specified in the Act.

⁶ 1 dan weighed about 133.33 lbs.

four countries' importation dropped to 322, 386 dan (Morse, 1926). Meanwhile, tea prices in China rose. EIC expected the tea supplies to Britain through foreign channels would be gradually weakened and destroyed at the end (Cheung and Mui, 1963).

On the other hand, the Commutation Act changed the trade structure between Britain and China. The actual effect of the Commutation Act was to put Tea at the top priority of trading list for Britain (Zhong, 2010). Tea had become the most important bridge between Britain and China.

Chapter 4: Tea and Opium Trade within Anglo-China Relationship

This chapter will explore the tea and opium trade within Anglo-China relationship in the 19th century. Another objective of this chapter is to explain how opium was transported and planted in China. And the chapter will further analyze the role opium played within the tea trade between these two countries.

4.1 How Opium Came into China

For a long period of time, China considered itself as the center of the world, but the Middle Kingdom was almost removed from the global stage from mid 17th century⁷, even though Chinese civilization had existed for more than five thousand years (Rose, 2009). For example, when George Macartney⁸ was appointed the first envoy of Britain to China, the primary aim of his journey to China was to open trade with China. But the Qing dynasty at that time regarded Britain as a tributary country which had to send goods to China rather than trade between Britain and China. It was normal for China to think in this way, because China was a totally self-sufficient country before mid-19th century. Just like Sir Robert Hart⁹ wrote in his diaries that “Chinese have the best food in the world, rice; the best drink, tea; and the best clothing, cotton, silk and fur ... they do not need to buy a penny’s worth elsewhere.” (Stockwell, 2002: 92).

British government and businessmen could not afford to buy tea from China at such a huge cost of silver. They had to find something that China was eager for. But later on, they found an important product that China wanted opium. Long before 19th century, opium had imported into China by Arab businessmen. Opium at that time was used as a medicine to cure diarrhea¹⁰ (Hanes and Sanello, 2004). Opium can be consumed in many ways: it can be eaten, drunk or smoked. Between the end of 17th century and the beginning of 18th century, smoking opium was introduced in mainland China (Zhong, 2010). Smoking opium made it easy for people to become addicted easily. In 1620, Formosans started mixing it with tobacco and its use as an addictive drug spread to the south-eastern coast (Wakeman, 1978). In the second half of the 18th century, the number of opium addicts grew rapidly in inland China (Greenberg, 1951).

Although opium was imported into China long before the 18th century, the quantity of opium was very limited before the English East India Company’s participation.

⁷ The *Haijin* or sea ban was a series of related isolationist Chinese policies restricting private maritime trading and coastal settlement during most of the Ming dynasty and some of the Qing.

⁸ George Macartney , 1st Earl Macartney (14 May 1737- 31 May 1806) was a British statesman, colonial administrator and diplomat.

⁹ Robert Hart , 1st Baronet (20 February 1835- 20 September 1911) was a British consular official in China, who served as the second Inspector-General of China’s Imperial Maritime Custom Service from 1863 to 1911.

¹⁰ In China, diarrhea was quite widespread. From 7th century to mid-18th century, opium was mainly regarded as a medicine to cure diarrhea or a beautiful plant to enjoy. Zhong, *Tea and Opium: China in the Process of Economic Globalization in the Nineteenth Century*.

Because of that, Zhong (2010) defined the opium trade before 18th century as medicine trade (*Yaopin Maoyi*), whereas the opium trade after 18th century was described as the drug trade (*Dupin Maoyi*). In the first half of 18th century, Portuguese merchants transported opium into China illegally from their base at Macao. China imported no more than 200 chests¹¹ before 1766, and the number reached 1,000 chests in 1767 (Yao, 1962). After that year, opium increasing was imported into China mainly because of British merchants' participation and British merchants and their EIC gradually took the leading role of this trade.

British participation in the opium trade took a leap in the year 1773 (Morse, 1960). During that year, the EIC decided to create an opium monopoly of its own in East India aiming at growing higher quality opium than the Portuguese Malwa opium from west India (Wakeman, 1978; Zhong, 2010). Initially, the EIC had tried to prevent British importation of opium into China since the illegal business interfered with the Company's legitimate trade (Hanes and Sanello, 2004). But some of Company employees and Country Traders took part in this trade process at the beginning. Warren Hastings¹², the Company governor of the newly conquered province of Bengal, agreed to halt exports from India to China. He said that the drug "not a necessity of life but a pernicious article of luxury, which ought not to be permitted..." (Beeching, 1975: 24).

Table 2. Opium Imported into China before 1800.

| Year | Lowest Estimates (chests) | Highest Estimates (chests) | Price in Canton (pounds sterling) |
|----------------------------|------------------------------|-------------------------------|--------------------------------------|
| Before 1766(on average) | 100 | 200 | 200 |
| 1767 | 200 | 1000 | 200 |
| 1773 | 1000 | | |
| 1780 | | | 200-550 |
| 1781-1782 | 1400 | 1600 | 200-300 |
| 1786 | 1300 | 2000 | 388 |
| 1790 | 4054 | 5054 | 370 |
| 1795-1796 | 1070 | 1814 | |
| 1800-1801 | 3224 | 4570 | |

Source: Pritchard, E. H. (1970). *Anglo-Chinese Relations During the Seventeenth and Eighteenth Centuries*. p. 160

However, Hastings's idealistic commitment to "zero tolerance" soon gave way to financial and political realities. Since China only accepted payment for tea in Spanish

¹¹ 1 chest usually weighed 140 lbs.

¹² Warren Hastings (6 December 1732- 22 August 1818), an English statesman, was the first Governor of the Presidency of Fort William (Bengal), the head of the Supreme Council of Bengal, and thereby the first de facto Governor-General of India from 1773 to 1785.

silver dollars and the supply of Spanish silver available to the British had dried up during the American Revolution, when Spain allied itself with the rebellious colonies. British citizens had no alternative coinage acceptable to China, and they were clamoring for their daily fix of tea (Hanes and Sanello, 2004). Finally, Hastings relented and allowed the export of 3,450 chests of the contraband in two ships. Each chest of opium contained 170 pounds of the drug (Hanes and Sanello, 2004). By 1796, the Chinese were so angry about the drug that the EIC decided not to risk its tea monopoly by importing opium into China directly but rather to sell it at public auctions in India to private English dealers and then sell to the Country Traders in the east of India through actual peddling (Wakeman, 1978). Therefore, from 1800 to 1818, the opium trade hardly exceeded 4,000 chests per year (Wakeman, 1978).

The Chinese expressed its warning at the opium smuggling with a decree in 1799 that condemned the trade more forcefully than previous bans had (Beeching, 1975). But the opium trade was also inexorable. The EIC paid lip service to the ban by forbidding British ships to carry opium, but the profits of opium trade were too enormous for the Company to ignore. It sold opium in India for four times the amount it cost to grow and process (Hanes and Sanello, 2004). In 1773, the Company made 39,000 sterling pounds by opium trade. In the following twenty years, the annual revenue from opium sold in China had ballooned to 250,000 sterling pounds. Between 1806 and 1809, China paid seven million Spanish dollars for opium (Hanes and Sanello, 2004).

4.2 Comparing Tea with Opium

It is no doubt that Chinese citizens have a time-honored tradition of drinking tea. Tea has become a necessity product in Chinese daily life (Zhong, 2010). In Courtwright's book (2001), tea could be a kind of drug to some extent. "Drug" is a convenient and neutral term of reference for a long list of psychoactive substances, licit or illicit, mild or potent, deployed for medical and nonmedical purposes in Courtwright's book (Courtwright, 2001). According to this, all caffeinated beverages including tea and other consumer goods such as cannabis, coca, cocaine, opium, morphine, and tobacco are all drugs in this sense. Although none is inherently evil, all can be abused and they are sources of profit. Furthermore, all these "drugs" have become, or at least have the potential to become, global commodities (Courtwright, 2001). Tea and opium were two major commodities that deeply changed Chinese daily life in the 19th century.

Partially because Chinese people preferred sedative rather than stimulants, they tended to keep drinking weak green tea for over several thousand years (Anderson, 1988). Because tea was widespread in China, the yield of tea was huge annually and price of it was relatively low for ordinary Chinese people to consume. Similarly, after the price of opium dropped drastically by extending the cultivation of opium in Chinese territory, Chinese ordinary people began to consume opium widely (Zhong, 2010). With tea existing in British society, it played an important role in people's

daily life, which has been analyzed in chapter 3 of this dissertation. And opium also played a significant role in China and Chinese daily life.

“Drugs” played an important role in capitalism’s expansion and globalization (Braudel, 1979). For example, tea was popular among British society in the period of the Industrial Revolution. Even British modernization could not happen without tea imports (Zhong, 2010). Before the 18th century, opium was mainly used as a medicine rather than as a recreation drug. But imported by British merchants, opium had close connection with Chinese modernization and globalization. Tea and opium were two “drugs” that made people addicted to them therefore accelerated expansion of capitalism.

The second similarity between tea and opium is they are both commodities that depend heavily on markets. Tea is appropriate for cultivation in a small-scale peasant economy, which was adopted in Chinese rural areas. Tea industry in China was scattered and run by different family members. The production mode of tea remained stable even when the demand for tea increased sharply in the later global market (Zhong, 2010). In the 19th century, most Chinese tea was exported to Britain and the quantity of tea that British bought depended on their payment capacity, in other words, it depended on how much opium was exported into China. Finally, Indian tea beat Chinese tea and Chinese opium beat Indian opium (Zhong, 2010).

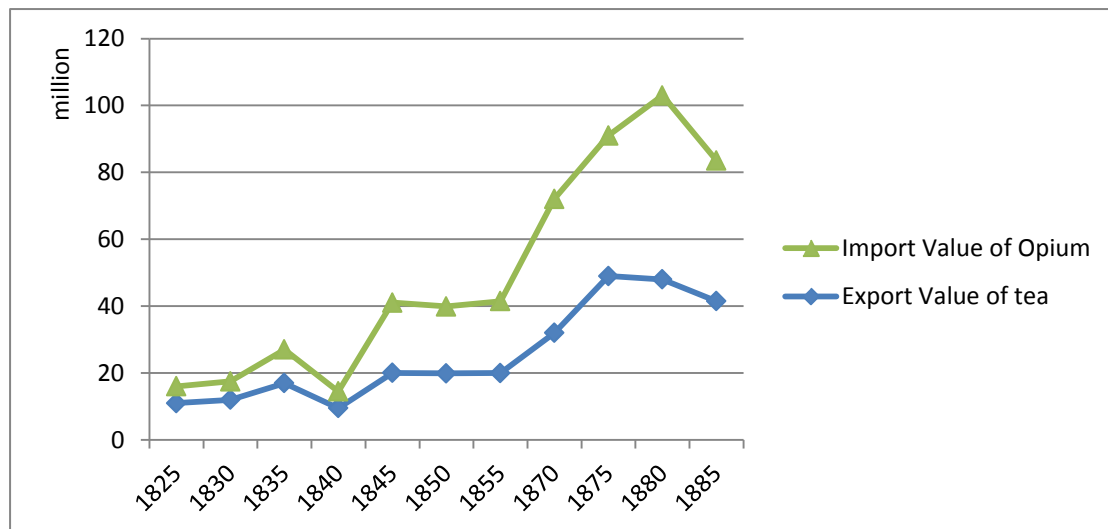
The third similarity is they are both characterized by intensive factors of production. They are both cultivated on relatively little land and need much intensive labor. The yield of these two goods is high, which suits China’s national conditions. In 19th century, the small-scale peasant economy was still dominated by tea production industry despite the fact that demand for tea grew much faster in this period (Zhong, 2010). Peasants improved the yield of tea mainly by extending crop area rather than developed tea gardens as in India or Ceylon. Since China is a mountainous country where tea is especially suitable for cultivation, opium production and cultivation need mountainous cultivation area as well, two crops were both suitable to cultivate in China. Two-thirds of land in Sichuan province and one-third of land in Yunnan province were used for cultivating opium in the late 19th century. Furthermore, about 7.5 percent of land in China was used for developing opium (Xu and Wu, 1999).

Last but not least, as we can see from Graph 1, there was mutual dependency between tea and opium trade in 19th century. Before Britain had their own tea plantation in India and Ceylon, the British depended heavily on China for tea. And they also imported other goods such as silk and porcelain, creating a serious balance-of-payments problem. Then the British came up with a solution by perfecting an opium monopoly system to guarantee its sale and manufacture. The system was so lucrative

that it furnished one-seventh of the total revenue of British India (Courtwright, 2001). The opium trade offset the cost of tea.

Graph 1. Export Value of Tea and Import Value of Opium. (1825-1885)

Unit of value: silver dollar



Source: Lin, M. H. (2006) *China Upside Down: Currency, Society, and Ideologies, 1808-1856*. p. 100-104

4.3 Tea, Opium and the Triangular Trade

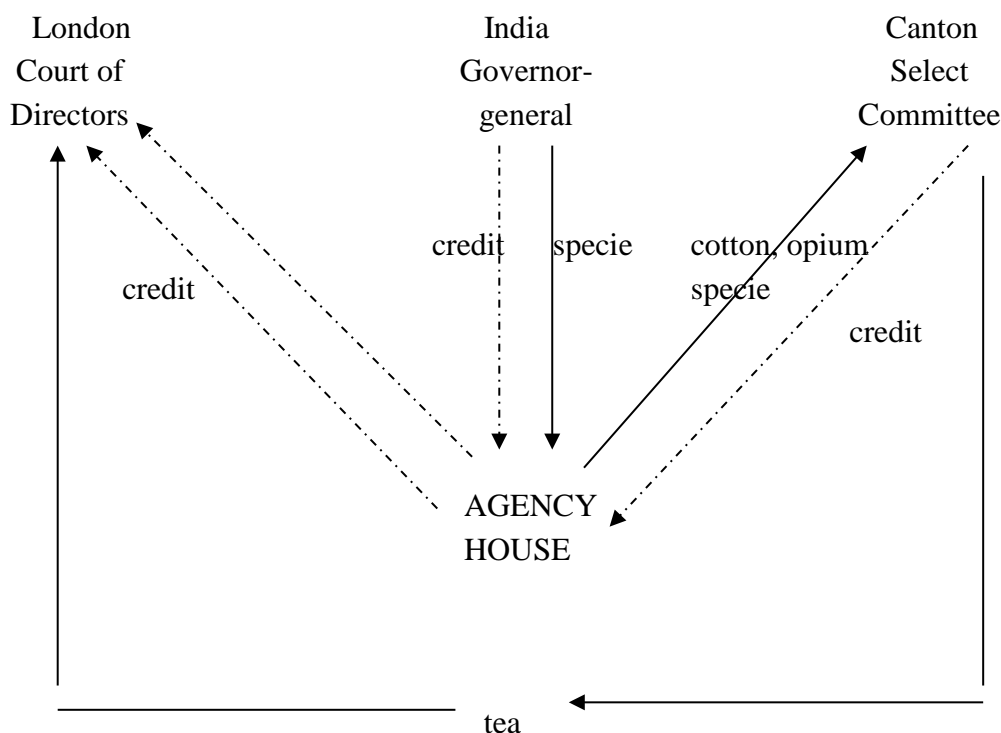
Tea trade had impressive significance on Britain. On the one hand, tea had become one of indispensable daily necessities for ordinary British people. Tea replaced silk as one of the most important goods in trade between China and Britain in the 18th century (Morse, 1926). The main purpose of the British government diplomatic relationship with China was to guarantee the supply of domestic tea. Otherwise, tea prices would rise leading to smuggling and even social panic so it was top priority for British government to protect its eastern trade (Zhong, 2010). After the Industrial Revolution, Britain improved ability to produce manufacture commodities. But East India Company could seldom make a profit from these commodities. By contrast, it was the tea trade that helped EIC to make profit from its eastern trade. They bought tea from China cheaply and then sold it on to British domestic consumers or European countries. From the end of the 18th century to 1833 when the monopoly of EIC collapsed, 90 percent of EIC's profits were from the tea trade and even 100 percent in some specific years (Pritchard, 1970).

Tea contributed a great proportion of British government revenue. In the 18th century, tax rate of tea reached 100 percent before the promulgation of the Commutation Act (Hanes and Sanello, 2004). Despite all this, British citizens still consumed huge amount of tea annually. The money that British government made from its tea tax were much higher than the counterpart Chinese merchants and government made

from tea export (Wong, 2002). As analyzed in Chapter 3.2, tea trade had huge influence on the EIC and British government. It contributed 10 percent of government revenue and almost all of EIC's profit (Greenberg, 1951).

In order to cover the tea trade deficit between Britain and China, EIC insisted on the importance of opium exports to China. During the period of 1854 to 1858, the total trade deficit between Britain and China was 7,192,759 pounds and opium exported to China was 6,365,319 pounds which covered 89 percent of total deficit (Zhong, 2010). Apart from that, opium trade required small investments and yielded high profits so the British government and merchants both made huge sums from this business. Furthermore, opium trade not only meant solving the problem of British tea trade deficits, more importantly, through the Country Trade, tea played a significant role in developing the role of foreign traders (Morse, 1926). After the collapse of EIC's monopoly, many foreign companies emerged with close connections to the opium trade including still famous like Jardine Matheson. Opium trade destroyed the old business pattern and created a new one (Hevia, 2003). And the British Empire could not have been so successful without the opium trade (Trocki, 1999).

Graph 2. The Triangular Trade with China.



Source: Wakeman Jr, F. (1978). 'The Canton trade and the opium war', in D. Twitchett and J. K. Fairbank (eds), *The Cambridge History of China, 10*(part 1). p. 168.

As we can see from Graph 2, within the triangular trade, India played a role like a bridge between Britain and China. Country Traders in India made the trade between Britain and China possible (Zhong, 2010). At the beginning of 19th century, the trade deficit between China and India was about one million pounds (Greenberg, 1951). Country Traders sold opium to Canton and got credit in turn, the EIC bought tea with this credit silver. Moreover, “the sums of money circulating in the southeast China because of the opium trade and the stockpiling of silks and teas for export in turn brought heightened official corruption and a rise in state revenues from transit dues and from taxation of legitimate foreign trade” (Spence, 1999: 148).

By the end of 18th century, there were fifteen private trading firms in India to control the “Country Trade”, which had also expanded eastward to the straits and to China. In addition, to meet the needs of the trade they set up banks and insurance companies (Wakeman, 1978). Since the EIC monopolized tea purchases in China, the products carried from India to China by the Country Trade all had to be exchanged there for low-value goods such as sugar or tutenague, or for specie (Wakeman, 1978). Therefore, Country Traders rather than monopoly system itself protected the triangular trade among Britain, India and China.

The Country Traders were important for British tea import and Indian opium export. Similarly, the Canton System¹³ was also of great importance for Chinese merchants and government. Canton System was established by Chinese government treating foreign trade and foreign traders rather than treaties made by two countries (Greenberg, 1951). Under the Canton System, between 1757 and 1842, Western merchants in China were required to conduct their business only in the approved area of the port of Guangzhou and only through a government-approved merchant house. The Canton System served as a means for China to control trade with the west within its own country by focusing all trade on Guangzhou. The system had grown up as an expression of China’s traditional effort to achieve stability in foreign relations by permitting a restricted trade to those who either presented tribute or were quarantined at entrepots on the frontier (Wakeman, 1978).

The core of Canton System was licensed Chinese monopolists, known as the “Cohong”. The Cohong’s capital came from profits earned by selling tea and textiles to monopoly trading organizations like the EIC (Wakeman, 1978). The fact was that the EIC paid in part for these products with imported goods like woven cloth. As analyzed before, the EIC had to cover its trade deficit in American silver currency. By 1805, the EIC ceased carrying silver to Canton because it could instead rely upon Country Traders who sold mechanical instruments and Indian cottons to the

¹³ The origin of Canton System was The Thirteen Factories or Thirteen Hongs, also known as the Canton Factories, which constituted a neighborhood along the harbor of Guangzhou in the Qing Empire.

shopkeepers of Canton (Wakeman, 1978). Because of that, the trade was relatively balanced through the Canton System.

In order to protect themselves, the Cohong merchants in 1775 had built up a secret fund.¹⁴ The creation of the Consoo Fund meant the last great phase of the Canton trade, from 1780 to 1833. The fund itself was a protective device of the hongists, made official in reaction to the early growth of private investment outside a monopoly framework (Wakeman, 1978). However, the fund was an index of the social disorder that swept across China after 1796. The government corruption such as high office was sold for bags of pearls, army register were padded with false names, and local taxes were purloined through the Consoo Fund (Wakeman, 1978).

4.4 First Opium War and Treaty of Nanjing

The Opium addiction problem seemed to increase from day to day. In 1836, foreign scholars estimated that there were approximate 12.5 million smokers. In 1881, a more precise check made by Sir Robert Hart put the figure at 2 million smokers, or about 0.65 percent of the population (Wakeman, 1978). However, most contemporaries including Jonathan Spence felt this figure was far too low and took a 10 percent smoking population as a reasonable figure for the late 1880s (Spence, 1999). In 1820, Daoguang¹⁵ became the Emperor of China. He was appalled by the contravention. In the following twenty year, this emperor authorized a campaign against opium. He ordered that opium imports via Canton be stopped by arresting the smugglers, and native cultivation be suppressed by reinvigorating the *baojia* system¹⁶ and rewarding informers (Wakeman, 1978). But that campaign would result in the counter-productive engagements of the Opium War (Lovell, 2011).

By 1838, the Daoguang Emperor was angered by his officials' irresolution. What he wanted was a lucid weighing of this opium issue, followed by decisive action (Wakeman, 1978). Lin Zexu, as governor-general of Hupei and Hunan, catered for the need of the emperor. On 31st December 1838, Lin was appointed as imperial commissioner. Lin cut off the import of the drug in two steps: first, to use the hongists in their capacity as security merchants to "control" the foreigners; second, to single out and detain the key figure behind the traffic on the English side (Wakeman, 1978). And then he destroyed part of opium stock in Canton. But opium trade was lucrative for the British, so it could not be stopped so easily. British traders continued to export opium to China (Hanes and Sanello, 2004). British merchants wanted to sell their goods (especially opium) legally and freely along the eastern coast of China; the Qing imperial government wanted to confine trade to Canton and ban opium. The British

¹⁴ It was known later to the EIC as the "Consoo Fund".

¹⁵ Daoguang Emperor (16 September 1782- 25 February 1850) was the eighth emperor of the Manchu-led Qing dynasty and the sixth Qing emperor to rule over China, from 1820 to 1850.

¹⁶ The *baojia* system was an invention of Wang Anshi of the Song dynasty, who created this community-based system of law enforcement and civil control that was included in his large reform of Chinese government from 1069-1076.

wanted extraterritorial powers over their subjects; the Qing wanted to maintain judicial authority over crimes committed within their territories (Lovell, 2011).

Finally, war broke out between China and Britain. The Opium War lasted from June 1840 until August 1842. Lovell commented that “the Opium War is the traumatic inauguration of the country’s modern history” and “this account of the Opium War is now one of the founding myths of Chinese nationalism: the first great call to arms against a bullying West; but also the start of China’s ‘century of humiliation’” (Lovell, 2011:12). Although the war broke out between Britain and China, tea trade never stopped in those days. During war time, James Matheson¹⁷ tried his best to export tea from China to Britain by using American flags on his ships (Greenberg, 1951). As a daily necessity in Britain, tea would be transported by British native traders rather than foreign traders. If tea could not be delivered from China on time, that the market would be disrupted (Greenberg, 1951). Matheson transported opium and tea among India, Britain and China throughout the war, by which he made a great amount of profit.

When China was totally defeated by Britain, *The Treaty of Nanjing* was signed between these two countries. Its main provisions were: (1) an indemnity of \$21,000,000 to be paid in installments, (2) the opening for trade of the five ports of Canton, Xiamen, Fuzhou, Ningbo and Shanghai, (3) equal intercourse between officials of corresponding rank, (4) British consuls at each port, (5) abolition of the Cohong monopoly, (6) a uniformly moderate tariff to be imposed on both imports and exports, and (7) cession of the island of Hong Kong to be British territory (Wakeman, 1978:212). The treaty deeply influenced Chinese modern history and tea industry in China as well.

¹⁷ James Nicolas Sutherland Matheson, 1st Baronet FRS (16 October 1796-31 December 1878) was a Scottish trader in India.

Chapter 5: Indian Tea Gardens and the Breaking of China's Tea Trade Monopoly

This chapter will introduce Robert Fortune, an important character in the process of transplanting camellia from China to India. And the situation of tea plantation in India will be presented in the following part of the chapter. Finally, the author will try to evaluate India's strength in tea production and selling in 19th century.

5.1 Robert Fortune and His Journey to China

After the First Opium War, British politicians and traders worried that the humiliated Chinese emperor might upset the delicate balance established by the peace accords by legalizing opium production in China, thus breaking India's monopoly on the poppy (Rose, 2009). Because of that, an idea appeared in the City of London: Tea could and must be secured for England. Henry Hardinge¹⁸, a great general who had helped defeat Napoleon warned of the risk posed by a defiant China when he was governor-general of India: "the government of Peking, by legalizing the cultivation of opium in China, where the soil has already proved equally well adapted with India to the growth of the plant, may deprive this Government of one of its present chief sources of revenue. Under this view I deem it most desirable to afford every encouragement to the cultivation of tea in India; in my opinion the latter is likely in course of time to prove an equally prolific and safer source of revenue to the state than that now derived from the monopoly on opium" (Rose, 2009: 4).

In 1829, the Agricultural Society in Great Britain announced that one of its chief aims was to introduce plants from other tropical countries into India, especially from America and the West Indies (Arnold, 2000). A vital area of such exotic introduction was tea. For the reason that this new drug food rapidly changed British economy and society, tea ranked high as a desirable botanic possession for the Empire. The scientist Joseph Banks¹⁹ had been the first to moot the notion that the Oriental tea plant could and should be domesticated within British-ruled territory (Sharma, 2006). As early as 1788, Joseph Banks had sent a memorial to the Chairman of the East India Company on the possibility of cultivation it in the new Indian territories (Sharma, 2006).

Because Britain had greater access to the areas where tea was cultivated and processed, it would need healthy specimens of the finest tea plants, seeds by the thousand, and the knowledge of Chinese tea manufacturers if the manufacture of tea in India was to be successful (Rose, 2009). This task required a plant hunter, a gardener, a thief and a spy. And the man Britain needed was named Robert Fortune.

¹⁸ Henry Hardinge, 1st Viscount Hardinge (30 March 1785- 24 September 1856) was a British Army officer and politician. He went on to be Governor-General of India at the time of the First Anglo-Sikh War.

¹⁹ Joseph Banks, 1st Baronet (24 February 1743- 19 June 1820) was a British naturalist, botanist and patron of the natural sciences.

Fortune's roots were modest. His early education was in rural horticulture accompanied by his "hedger" father, a hired farm worker. Moreover, he had no formal higher education experience besides his parish schooling in the tiny town of Edrom, in the Scottish Borders. His huge knowledge of natural history was not obtained at the university of Oxford or Edinburgh, but from folk practice and professional apprenticeship (Rose, 2009). But Fortune was ambitious, and he rose quickly through the ranks of horticulture, first serving in the Botanic Garden at Edinburgh and later at the Royal Horticultural Society's gardens in Chiswick (Rose, 2009).

After the Opium War and Treaty of Nanjing, news of the peace between China and Britain reached the Royal Horticultural Society, which provided it an unprecedented chance to send an expedition into deepest China. At that time, the discovery and exploitation of botanical material were widely recognized as a British priority. Although lacking the usual gentleman's background, Robert Fortune was the first person appointed by Foreign Office to travel to China (Rose, 2009). Fortune's mission included procuring "the peaches of Peking, cultivated in the Emperor's Garden and weighing lbs.," among other imagined delicacies. In addition to living flora, he would take home a pressed herbarium and intricate botanical drawings penned by the finest draftsmen in China. With every seed, plant, graft, and clone collected, Fortune was advancing Western knowledge of the East and of botany (Rose, 2009). Moreover, the Society members agreed that their investment of the China expedition would be forfeited or greatly reduced if Fortune were killed before its completion (Rose, 2009).

Robert Fortune made two long journeys in China in 1840s; the first trip lasted from 1843 to 1847, and the second trip was from 1848 to 1851 (Pei, 2011). Like other travelers of the Victorian era, upon his first return in 1847 he published this document in the form of a travelogue that was *Three Years' Wanderings in the Northern Provinces of China*. The book sprinkled with the geographical and botanical description one may find in any horticultural study, but it also includes author's jaunty and unstinting reminiscences of meeting fellow British expatriates in the treaty ports (Rose, 2009).

Over the course of first three years, Robert Fortune faithfully reported back all the details of his botanical finds, shipping to England as many living examples of the new and wonderful plants of China as he could. Apart from that, he took cuttings, made grafts, kept careful notes, and wrote detailed letters for the botanists of the world. (Rose, 2009) He introduced 120 species of plant to the west in all. In Fujian province, Fortune learned the secrets of tea plant care and the processing and oxidizing of tea leaves. More significantly, he was the first westerner to discover that green and black tea are from the same plant. (Pei, 2011) After that, Fortune's fame spread across Europe.

Fortune's second visit to China was quite different. This time he became as a spy with a secret mission on behalf of the British East India Company to steal away the secrets of tea. In 1848, Fortune arrived in Shanghai, disguised in Chinese dress and with a shaved head save for a pigtail. His goal was to travel to Tong Mu Guan in the Wuyi mountain region of northern Fujian province, where he would illegally acquire not only plants and seeds but also all the requisite knowledge in the form of Chinese tea masters who would travel back with him to Kolkata to train up farmers and processors of tea. (Pei, 2013) Wuyi tea plants later become the foundation of a thriving Indian tea industry that still exists today.

5.2 Tea Plantation in India

As early as 1815, Indian tea was initially discovered in Assam by medical corps surgeons of East India Company (Rose, 2009). And Indian tea grew well in its sea-level home soil near Burma, where native people chewed rather than drank it. In 1830s, the EIC invested million pounds in the experimental cultivation of native tea, to see whether it could be grown in Indian tea gardens for the Indian domestic market (Rose, 2009). Apart from that, a 12-member Tea Committee was constituted in 1834. On the one hand, The Tea Committee was to dispatch a circular addressed to all Commissioners in India, particularly those who governed hill districts, asking for information that maybe suitable for the scientific criteria for tea lands. On the other hand, it also sent the Calcutta-based opium-trader to China to collect tea plants and seed for transplant to adaptable Indian lands (Sharma, 2006).

As mentioned above, Robert Fortune was sent on his journey with little pay. He was asked to find tea plants in China. In 1851, after his second trip to China, he managed to smuggle 2,000 tea plants, 17,000 tea seeds, and also Chinese experts in tea cultivation (Sharma, 2006). And the majority of these resources were transferred to Kangra which was another hilly region where the EIC hoped to propagate tea. These were the China tea seedlings which would be planted in the experimental gardens established by the EIC in Upper Assam.

On the one hand, promoting tea seemed central to advancing imperial science, commerce and civilization (Sharma, 2006). On the other hand, the Company would do anything to get ahead of the game, and it was generally believed that tea was the only commodity that would keep the Company preeminent (Rose, 2009). Therefore, the Company tried to produce a leaf that looked like the tea leaves of China and trained the native to pick and prepare tea. However, the EIC could never make Assam tea taste as good as Chinese tea (Rose, 2009). Assam tea had a strong bite and sooty taste. It also doesn't grow well, yielding a poor return per acre. Within a few years of commencing their tea experiment, the Company realized the fact that the Assam tea could never overtake China tea in the world marketplace (Rose, 2009).

Besides Assam Tea, Himalayan tea was the Company's next hope. The Himalayas possessed similar growing conditions as China's best tea cultivation regions. They were subtropical, but high and cool, so the tea would be slow-growing and retain its pungency. And there was also unlimited space for tea production in Himalayan mountainous areas (Rose, 2009). The Himalayas were high in altitude, richly soiled, and clouded in mists that provided enough water for tea and shade them from the scorching sun. In addition, frequent frosts in Himalaya area would help sweeten and flavor their liquor, which made the tea more complicated, intense and delicious (Rose, 2009).

Under Henry Hardinge's order, the EIC made plans for experimental plantations of a minimum of five hundred acres each. He believed in the European efficiency that Chinese tea production lacked. Labor in India was at least as cheap as in China, so both countries had a surfeit of manpower. "Growing tea would be like printing money" (Rose, 2009:31). For the Himalayan tea experiment, the Company's process was precise: it "borrowed" China's materials, her best seeds, and her knowledge about tea in the form of Chinese tea makers and tea manufacturing implements (Rose, 2009).

Apart from transplanting Chinese tea plants, Indian tea gardens were ameliorated by Chinese labor. Joseph Banks advised that a tea labor force, like the seed, should come from its original home, China (Sharma, 2006). And this opinion was supported by the fact that contemporary racial typologies were discovering the Chinese to be the most hardworking race Asia could provide, the most satisfactory mediator between the polarities of Occident and Orient (Young, 1995). Chinese labor had strength in superior energy and, industry, whilst their spirit of speculation and calculation of profit was quite similar to that of any European nation. In a word, Indian and British tea experts were enthusiastic for Chinese manpower to be sent to Indian tea gardens (Sharma, 2006).

5.3 India's Strength in Tea Production and Sales

With transplanting tea from China to India, Indian tea gardens developed strongly in the second half of the 19th century. India gradually exported their tea to Europe, which squeezed the market shared by China (Table 3). It is easy to figure out this trend from Table 3 below. Himalaya and Assam tea occupied the British market and broke the monopoly of Chinese tea industry in this period. The export of tea in China was exceeded by silk in 1871. The proportion of tea exported dropped to 18% in 1898 from 54% in 1871 (Feuerwerker, 1980).

As early as 1890, the British consul in Hankou listed 11 advantages that Indian and Ceylon tea planters had at that time (Yao, 1962). (1) They had more capital for planting tea, (2) they had easier access to capital through low interest rates, (3) they did

not have to pay much likin²⁰, taxes and tariffs, (4)they had more perfect labor market by which to employ cheaper labor, (5)they obtained more advanced chemical and agricultural knowledge, (6)they understood consumers' appetite and demand thoroughly, (7)they had more convenient transportation, (8)they were located closer to the country which was eager to buy their products, (9)they had more public projects which provided irrigation in the dry season and prevented flood in the rainy season, (10)they had bigger tea gardens, (11)they had more advanced machines.

Table 3. Market Shares of China, India and Ceylon in Britain from 1866-1903.

| Year | China | India | Ceylon | Total |
|------|-------|-------|--------|-------|
| 1866 | 96% | 4% | 0% | 100% |
| 1885 | 61% | 37% | 2% | 100% |
| 1886 | 57% | 40% | 3% | 100% |
| 1887 | 47% | 47% | 6% | 100% |
| 1903 | 10% | 60% | 30% | 100% |

Source: William, T. R. (1984). *Hankow: Commerce and Society in a Chinese City, 1796-1889*. p. 190.

The differences between Chinese tea industry and its Indian counterpart could be divided into several parts. First, the huge difference between Chinese and Indian tea cultivated area. China and India had huge gap in terms of tea production methods. The latter planted tea through large-scale tea gardens and they were arranged by European relatively advanced arrangement. By contrast, Chinese tea trees were planted on the barren soil that was inappropriate for cultivating crops, so the yield of tea was higher and quality was better than Chinese counterpart (Zhong, 2010). And Chinese tea planters were scattered and short of innovation comparing with Indian tea gardens (Banister, 1932).

Second, in the early period, Indian tea planters chose Chinese tea seeds, but they found Indian domestic species were better in quality after the comparative experiments made by British tea experts. Therefore, they stopped importing tea species from China (Yan, 2001). Chinese tea planters could not provide enough fertilizer for tea trees and it was impossible for them to change lands at regular intervals. Originally, British tea experts imitated Chinese to plant tea trees on hillside but they found the yield was not satisfactory at all, so fertile flatlands were chosen to plant tea trees. After that, yield and quality of tea improved significantly (Zhong, 2010).

²⁰ The likin or *lijin* was a form of internal tariff in the Chinese Empire and Republic. The likin tax was first introduced in 1853 by censor Lei Yixian in the area around Yangzhou as a way of raising funds in the campaigns against local rebels. The tax was levied on an ad valorem basis on goods in transit between provinces and on shops, with rates ranging from 2 to 10 per cent. Kuhn, 'The Taiping Rebellion'. in D. Twitchett and J. K. Fairbank (eds), *The Cambridge History of China*, 10(part 1). P289.

Third, there was huge difference between Indian and Chinese tea industry in terms of picking tea leaves. Assam tea gardens had extremely strict rules of picking tea leaves. For example, plucking workers were ordered to pick tea leaves from early morning till 11 or noon and they picked 20 lbs tea leaves per person. They were only permitted to pick again after two weeks, so they could pick 16 rounds every year (Zhong, 2010). However, Chinese tea leaves were picked by family members so that it was hard for them to separate tea leaves into different levels. And they could only pick 3 to 4 rounds every year. Because Chinese small-scale tea planters had relatively less capital, few of them would employ plucking workers besides their family members (Zhong, 2010). Apart from that, modern transportation methods were used by Assam tea gardens which reduced costs and improved the quality. But Chinese tea planters delivered tea mostly by their shoulders, so the freshness of tea could not be guaranteed (Zhong, 2010).

Fourth, because of India's specific climatic and geographic features, Assam tea had a strong bite to it and a hot, sooty taste (Rose, 2009). Gradually, British people got used to its unique taste and quit drinking light Chinese green tea. It was appreciated by the British who desire a strong nose and a certain maltiness to their brew (Rose, 2009). More importantly, in order to cater for the growing tea market in Britain, Chinese tea planters even produced adulterate tea (Zhong, 2010). British merchants and consumers realized the fake and some were put off from importing tea from China.

Fifth, Indian tea gardens had enough capital, improved machinery and experts who could supervise these gardens (Yao, 1962). By contrast, Chinese tea planters made their tea by their hands and could not compete with India. After the Industrial Revolution, Indian and Ceylon tea gardens achieved mechanization. On the one hand, the level and speed of the process improved hugely. On the other hand, the cost reduced drastically. With low efficiency in the production process, it was hard to guarantee the quality of Chinese tea and cater for the habits of modern British people (Lin, 2003; Ukers, 1935; Xu and Wu 1999).

Finally, the last but not least, British trade with the Far East became so valuable that the French undertook the building of the Suez Canal (Rose, 2009). After the Industrial Revolution, British steamships could reach China in half the time of a clipper. By 1869, when the Suez Canal was complete, all the improvements in navigation brought on by tea would become a thing of the past. British merchant fleet could be fueled by reliable and steady coal (Rose, 2009). The Suez Canal made India closer to the British tea market, which made it easier to deliver fresh tea to London for local consumers (Zhong, 2010).

5.4 Treaty Port System

After the Opium War and Treaty of Nanjing abolished the restriction of Sino-foreign trade to Canton and to the licensed Cohong monopoly there, state-to-state diplomatic relations (Fairbank, 1978). Five treaty ports were opened at Canton, Xiamen, Fuzhou, Ningbo and Shanghai. In 1843, the Chinese and British signed the Treaty of the Bogue, which added provisions for extraterritoriality and most favored nation status for Britain. The treaty port system lasted approximately one hundred years. It began with the 1841 Opium War and ended in the middle of 20th century.

From the perspective of Britain, on the one hand, the treaty port system in China was intended to foster their established interests. On the other hand, the treaty was to express the ideal of Britain's worldwide commercial expansion (Fairbank, 1978). More specifically, the British aim was to keep the triangular trade stable among Britain, India and China, which meant safeguarding the Chinese market for Indian opium exports and the Chinese supply of tea for London (Fairbank, 1978). During this process, foreign heads of firms were dependent on their Chinese counterparts, because they knew the tea and opium trades intimately and even more because they could guarantee one another in the necessary Chinese fashion (Fairbank, 1978).

Prior to the First Opium War, the major treaty port of China was Canton. After the Treaty of Nanjing, Shanghai, a new international settlement became the center of foreign trade, closely connected with Hankou.²¹ In 1861, Hankou was opened as a major tea trade market between Britain and China (William, 1984). Gradually, Hankou became much more important in the trade between these two countries. Because of the development of tea plantation in India, Hankou, as a significant transaction center of tea, lost its market in Britain. However, tea trade between China and Russia grew rapidly, which compensated the deficit between China and Britain.

Tea trade in Hankou reflected the whole picture of foreign tea trade in China to some extent. But the tea trade was run by foreign businessmen without business ethics. These people pursued short-term profits and neglected business reputation, which resulted in the chaos of the domestic tea market (William, 1984). Apart from that, Chinese tea trade agencies were not only responsible for supplying foreign traders, they could also sell tea by themselves, which destroyed their reputation in the global market (William, 1984).

²¹ Hankou was the most important inland commercial city of the Qing empire. William, *Hankou: Commerce and Society in a Chinese City*.

Chapter 6: Conclusion

This dissertation has presented tea and tea trade status between Great Britain and China, and further explained the reasons why Chinese tea industry and trade went into decline in terms of social-economic relationship between these two countries in the 19th century. The main body of the dissertation could be divided into three major parts: Chapter 3, Chapter 4 and Chapter 5. First two chapters of the main body give a description of social-economic relationship in terms of tea trade status among Britain, China and even British India. Final chapter of the main body focuses on the reasons why Chinese tea industries went into decline from monopoly.

The third chapter gives a general background of tea trade between Britain and China, by which to explain when and how tea was imported from China by British merchants. First, the relationship between tea and the Industrial Revolution is presented by Chapter 3.1. Through this chapter, the dissertation points out that tea deeply influenced people in the period of Industrial Revolution in terms of three dimensions: tea had ability to prevent mass pandemic; tea improved the health and comforts of people who worked in factories; tea changed people's life style in this period. Second, Chapter 3.2 focused on the roles British East India Company and Country Traders played in the late 18th century and the beginning of 19th century. After introduced the background of EIC and Country Traders, the dissertation figured out that EIC and Country Traders assumed different responsibilities of importing tea from China. The former was mainly responsible for importing tea and other goods from China thus contributing revenue for British government. While the latter financed EIC by exporting opium into China. And how the British government and British people maximized their profit through this trade and solve problem occurred in this process was illuminated by Chapter 3.3. The Commutation Act was the major measure to destroy tea smuggling and to establish a complete monopoly of tea import by the EIC.

The fourth chapter mainly explores the tea and opium trade within Anglo-China relationship in the 19th century. How opium was transported and planted in China was illuminated first and then the triangular trade among Britain, China and British India was researched by the dissertation. First, chapter 4.1 pointed out that British government and businessmen found opium could help them purchase tea from China without paying a huge cost of silver. Later on they found that opium trade was lucrative whose quantity increased steeply from late 18th century to 19th century. Opium and tea were two important goods that deeply influenced people's life in Britain and China. More importantly, opium and tea had many similar points. For example, they both depended heavily on markets and they were both cultivated on relatively little land and need much intensive labor. And there was mutual dependency between tea and opium trade in this period. Chapter 4.3 further explained

tea and opium relationship with triangular trade among Britain, China and British India. It found that Country Traders rather than EIC monopoly system protected the triangular trade. Finally, with the Opium War broke out between China and Britain and the Treaty signed between these two countries, Chinese tea industry further destroyed.

The final chapter of the main body introduced a significant character, Robert Fortune and his great journey to China. After his journey, the dissertation focused on the tea plantation in India. Apart from that, this chapter mainly discussed India's strength in tea production and selling thus explaining the reason why Chinese tea industry declined. Chapter 5.1 introduced Robert Fortune and his journey to China, which was the background of the story transplanting camellia from China to India. For the purpose of the improvement of British commerce and the EIC's profit, EIC decided to produce tea in Indian colonies. Because of Indian suitable growing conditions for cultivating tea trees, India broke China's tea monopoly on British market and developed their own tea trees. India's strength in tea production and sales was analyzed in Chapter 5.3. India had strength in production methods, domestic species, method of picking tea leaves, specific climatic and geographic features, improved technology, and so on. With the Treaty of Nanjing signed between these two countries, treaty ports were opened to foreign merchants. Chapter 5.4 took Hankou as an example, which illuminated the tea industry in China was further ruined by foreign powers.

The purpose of this dissertation is to illuminate the process through which the Chinese tea trade monopoly was destroyed. And then the dissertation tried to figure out the reasons why Chinese tea industry and tea trade went into decline and disruption in the 19th century in terms of Britain-China social-economic relationship. However, there are still plenty of relevant research areas that need to be explored. For example, what is the relationship between the decline of tea industry and collapse of Qing Dynasty between the late 18th century and the beginning of 19th century? How to explain roles other nations played in the decline of Chinese tea industry such as Russia, Japan and United States? After the development of Indian tea gardens in 19th century, how it influenced global tea market today? Therefore, there are still many challenges left to face relevant to this topic.

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