

5. Opium and the expansion of trade

By 1690, the Company had trading centres (known as 'factories') all along the West and East coasts of India. The main centres were at Madras, Calcutta and Bombay. The Company started to protect its trade with its own armies and navies - very different from most companies today. London also became an important trading centre, where goods were imported, exported and transferred from one country to another. The Company would have liked to pay for all its import goods with silver, but traders in England wanted them to export English manufactured goods.

English and Chinese sea merchants had first met at the markets in Bantam - a long way from either country. The Company wanted to trade directly with China, but it was not until 1699 that the Chinese allowed the Company to trade at Canton.

From China, the Company bought tea, silk and porcelain. The Chinese wanted silver in return. Over the next 100 years tea became a very popular drink in England, and there was a fear that too much silver was leaving the country to pay for it. To stop this happening, the Company became involved in a triangular trade by smuggling opium (a highly addictive and illegal drug) from India into China.

The Company grew opium in India. They were looking for something that the Chinese would accept instead of silver, to pay for the goods they bought at Canton. Opium was a valued medicine which could deaden pain, assist sleep and reduce stress. But it was also seriously addictive and millions Chinese became dependent on the drug.

Although opium smoking was a subject of fascinated horror for Europeans, the Company actually encouraged people to use the drug in China - sales of opium were extremely lucrative. As a result, millions of Chinese would die from opium addiction, and the very fabric of Chinese society was

threatened.

After the Company's trade monopoly was abolished in 1834, smuggling of opium into China by European private traders intensified. The Chinese state was deeply disturbed at this and threatened force. Britain was prepared to defend 'free trade' and, in 1840, they went to war. These 'Opium wars' led to a humiliating defeat of the Chinese and a trade treaty which ceded Hong Kong to the British.