

Opium in the Making of Macao's Early Twentieth-Century Rentier Economy

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ABSTRACT: Saddled with financial burden dating back to the late nineteenth century including a hefty annual subsidy in support of Timor, successive governors in Macao looked to creative solutions to meet state revenues. Most favoured was a system of monopolies farmed out to local syndicates including bidding for exclusive rights for opium. The system also enriched the “farmers” — Macao’s pioneer comprador capitalists of the early twentieth century — with a number of them extending their business empires into banking and other services. While the most enduring of the monopolies and the one to which Macao’s regional and international reputation turns is gambling, the Farm which emerged as the major prop to government coffers in the pre-war period was that associated with opium. Not even the resumption of the opium monopoly by the State under Governor Tamagnini Barbosa in 1927, in line with League of Nations pressure, put an end to the system (with opium still providing 10% of state revenues down until its termination in 1946). Somewhat eclipsed in the literature with its current fascination with gambling, this article seeks to set down the rationale and justifications for what today is viewed as a highly immoral and contentious business, however lucrative in support of the local economy.

KEYWORDS: Portuguese Macao Government; Monopolies; Opium; Rentier economy; Opium Farm abuses; Reforms.

On the cusp of the twentieth century, Chinese reformers and modernisers were deeply influenced by the kinds of changes they witnessed in the Treaty Ports that dotted the China coast. Notwithstanding its free-port status, however, Macao’s lustre had faded. Its privileged access to the Canton Trade System was

history, its role in the coolie trade discredited, its glorious life as a maritime hub connecting with Southeast Asian ports eclipsed by the rise of steamships and, in any case, overshadowed by the rise of Hong Kong. Virtually relegated to the status of a fishing village, how did Macao survive economically? Or more reasonably, how did the Portuguese-administered territory reinvent Macao’s economy in line with the triumphalism of the age? Not to resort to cliché, this was also an age of dramatic economic and social change if we consider the impact of new modernities upon a generation straddling the rise of the First Portuguese Republic (1910–26) and the advent of the Chinese Republic (1911–12).

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Kou Ho Neng mansion, Rua do Campo, Macao, 30 December 2011. Fumihiko Ueno, Creative Commons. [https://commons.wikimedia.org/wiki/File:Macao_-_panoramio_\(17\).jpg](https://commons.wikimedia.org/wiki/File:Macao_-_panoramio_(17).jpg)

To gain a better sense of the economic prop of the colonial state in Macao through the inter-war period, we should examine the question of government rent-seeking back to its origins. Setting aside forms of gambling which has attracted much literature, this article highlights the little studied role of opium farming in Macao. More generally, opium farming in the European Asian colonies fell into a pattern (also taken over by Japan). Portuguese Macao was no exception, except for the longevity of the system, which only came to an end in the early post-war period. Another feature of the system in the modern period, especially as British India had been the major traditional source of opium entering Macao, was the degree of co-operation between the Portuguese and British authorities. For all concerned, the system turned upon the fine tuning of imports and re-exports

of raw opium. With respect to Macao, because of the importance of opium to the general budget — a role that in later decades would be taken over by gambling revenues — the opium trade was simply indispensable to the government in order to balance its budget.

Taking a broadly chronological-analytical approach, the article first sketches the origins of Macao's rentier economy. Second, it then examines the Macao Opium Farm System. Third, it examines the League of Nations' opium elimination regime and consequences for Macao. Fourth, it examines profits generated by the opium trade along with a major scandal of 1926. Fifth, it profiles the opium farmers, Macao's pioneer comprador capitalists. Sixth, it then examines the government opium monopoly as it emerged in 1927 along with chronic issues of supply. Finally, the article explains the early post-

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war winding down of the opium regime while also considering unanticipated social impacts.

I. MACAO'S RENTIER ECONOMY: THE ORIGINS

As described by Clarence-Smith (1979, 3) in a discussion of Portuguese colonialism in Africa, a theory of “uneconomic imperialism” suggested by huge public deficits incurred by failed projects (the costly Macao harbour works of the 1920s and 1930s bear examination) is belied by the drive by metropolitan groups and interests to pursue long-term investments and the accumulation of private profits in an environment underwritten by the colonial state whereby markets are protected and with monopolies secured in such fields as banking and communications. This was typical of colonial capitalism, whether Portuguese, French or British, especially with respect to zones of exploitation as in Africa or Southeast Asia. Late colonial Macao appeared to fall into this pattern with the Banco Nacional Ultramarino (BNU), the bank of issue, setting up locally in 1902 and going on to set the parameters of opium imports and local currency conditions and conversions, with the harbour works in the planning and with a vision of connecting up Macao to Guangzhou by rail. Yet Macao was also a specific case as well, especially given the powerful presence alongside metropolitan enterprise of indigenous or local Chinese comprador capital with its business and family linkages to a regional hinterland in South China as well as to Hong Kong.

The Macao Government Monopoly Tax and Licence Regime

Dating from the time of the governorship of João Maria Ferreira do Amaral (1846–49), the practice of granting sales of some goods on an exclusive basis became established, justified as a form of taxation best suited to conditions in Macao (Reis 2018, 52–53). According to a Portuguese report submitted to the League of Nations in 1925, specific legislation governing the “traffic in opium” in Macao, included

ordinances of 15 February 1846; July 1851; 27 November 1915; 18 September 1917; 9 February 1923; 10 March 1923; and 13 April 1923. As noted, Macao became a “free port” in 1845, meaning that customs or customs services were removed. As explained, the ordinance of 1846 establishing the opium monopoly-contract system coincided with the initiation of a new colonial administration (Portuguese Government, *Traffic in Opium*, 1927).

In line with the Farm System as it applied in Macao, records of the bidding for *exclusivos* or monopoly rights in a range of activities go back to at least 1873. They include not only gambling and lotteries, but also opium, pork, beef, fish, salt, oysters, public lighting, and so on, and were regulated according to Article 142 of the Treasury Regulation of 1870 (MO/AH/DSF/021/0001 1873/08/05–1878/05/18). Additional decrees of May and August 1893 brought down by the Junta Consultiva de Ultramar, the distant royal authority dealing with colonial administration, created import monopolies and taxes on such items as petrol and gunpowder. Brought to attention by the authors of the 1905 petition to the Portuguese Crown, serious irregularities in the collection of imposts on especially the salt and fishing monopolies not only led to widespread evasion — and no doubt corruption, although this is not mentioned — but also served as a brake upon the expansion of the industry and even deemed responsible for its decline. As argued, a liberalisation of the regime would result in an uptick in commerce and would further benefit the public purse. Moreover, as measured by the number of petitions made by the Chinese population to the Portuguese authorities, these imposts were not well received (MO/AH/ANGR/0001 1905/02/04). An analysis of Macao's revenues for 1899 shows us this reality. Specifically, fantan contributed 24.6%; lotteries, 22.1%; the opium monopoly, 21.3%; salt, 7.1%; real estate, 5.2%; petrol and powder, 4.8%; indirect tax contribution, 4.5%; pork, 3.8%; Misericórdia lottery, 2.7%; returns from Taipa, 2.1%; and fish, 2.0% (Reis 2018,

52–53).¹ We may take these percentages as an early benchmark because within decades the opium monopoly would come to eclipse gambling as the number-one source of government revenue, before falling off in the early 1920s but still significant.

The smuggling of opium into China was also a thriving business. Dating back to the 1880s and continuing up until the Japanese occupation of southern China, Macao's cross-border trade with China came under a special regime managed by the Chinese Customs Service located on Lappa (now known as Wanzai), an island opposite Macao's Inner Harbour. According to A. H. Wilzer, Commissioner of Customs writing in 1908, "The trade of the Portuguese Colony at Macao is to a large extent reflected in the statistics of the Lappa Customs," and the causes which led to the establishment of a cluster of foreign-managed customs stations were the "enormous quantities of opium that were smuggled from Hongkong and Macao into China." It was estimated that duty was paid only on about one-tenth of the opium received from Hong Kong by the towns along the North and West Rivers; and it was known that over 10,000 chests were carried annually to Macao, almost all of which was subsequently smuggled thence into the various ports on the west coast. Fleets of junks, some heavily armed, were engaged in this illicit trade. As efforts to suppress this contraband trade had proved unsuccessful, it was decided to put it on a legalised basis. This involved agreements between Great Britain and China signed on 13 September 1876 at Chefoo (now known as Zhifu). Later, a convention on similar lines was arranged with the Portuguese authorities with respect to Macao, leading to the opening of the Lappa Customs office on 2 April 1887 for the collection of import tariffs with the apparent concurrence of the local Qing authorities, Chinese merchants, and the Portuguese (Wilzer 1908, 805–807).

With the decline of the nineteenth-century coolie trade, Macao's future looked unsettled to say the least. Though Timor was declared independent

of the Province of Macao on 15 October 1896, at least for all administrative and political purposes, the Macao treasury was nevertheless obliged to support this Portuguese colonial outpost with a hefty annual subsidy of 60,000 patacas and with the convention still honoured down until the end of the monarchy. Saddled with this burden, successive governors in Macao looked to creative solutions to meet state revenues. Most favoured was a system of monopolies, farmed out to local syndicates. For example, in 1893, state monopolies were established for the importation, sale, and export of petroleum, along with the export of gunpowder, saltpetre and sulphur, with profits exclusively earmarked for the harbour works. While the most enduring of the monopolies and the one to which Macao's regional and international reputation turns is gambling, the Farm which rescued Macao from obloquy through the late nineteenth century up until the end of the Second World War was that associated with opium.

II. THE MACAO OPIUM FARM AND GOVERNMENT BUSINESS

The question of the purchase and sale of opium in Macao was always as much political as economic. It was economic because, as a Farm and, from 1927, directly administered by the State it served as one of the major sources of state revenue over a long period. The Farm was a system under which the government contracted out to a bidder, invariably a Chinese commercial syndicate, the right to process, pack, and sell opium, in return for profits minus a fixed rent paid to the State. Not only did this permit syndicates of Chinese merchants to monopolise sales within the colony, but also the export of opium manufactured in Macao. The Portuguese colony, therefore, attracted some reputation as one of the main centres of international opium smuggling. It became a political issue because the trade in opium, as much its use, came to be condemned by international opinion, notably the League of Nations and, when it cleaned up its own act, Great Britain.

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Specifically, all opium sales were accountable to the *Repartição Superior de Fazenda* or Government Treasury. From 1909, at least, all income derived from sales of opium was required by law to be deposited with the BNU (MO/AM/DA/008/01/01/012 1909/09/21). Established in Macao in 1902, the BNU was the first and only European bank in the colony for many years and, from 1906, served as the treasury and cashier of the government. Essential to running the opium business, a dedicated premises called the Kung Chan or Fábrica do Ópio was established, setting up in 1909 in a purpose-built building at Rua da Alfândega no. 5 and with a warehouse for the storage of raw opium attached the following year. Collateral investments were offered by wealthy lottery concessionaires as with Pun Pac Chan (MO/AM/DA/008/01/04/001 1918/01/27–1918/06/25). Kept under tight security, here the raw opium would be “cooked” (or boiled), refined and packaged. Nevertheless, at various times the opium factory premises shared space with, variously, the Imprensa Nacional, a fruit cannery, a police station and, for a three-month period in 1910, even hosted the operation of a fighting cricket concession.

For the colonial state in Macao, the problem was its dependency for supplies of opium upon the British whose procurement agents monopolised quality opium sourced from India and Persia. Frequently, Portugal was obliged to justify the quantities of its purchases to the British. While the British had no qualms about the supply of opium to the government monopoly, it did take sharp exception to the perceived practice of over importing and re-exporting. Repeatedly, in its representations to the British, the Portuguese authorities made the argument that a reduction in supplies of opium to Macao would prejudice the financial standing of the colony. This was undoubtedly true as the State progressively looked to opium sales to generate revenue, but the argument met with much scepticism on the part of the British especially given irregularities in local Macao practices.

The Macao Opium Farm

Usually, the opium farmers or winners of government contracts were granted on a five-year basis. Invariably the concessionaires were Chinese, but not necessarily from Macao. Their business activities were not restricted to Macao but literally spanned across the Pacific. Up until April 1909, an estimated 70% of the Macao opium farmer's business involved the export of prepared opium to San Francisco. When, in 1909, this market came to be restricted, on 30 April of the same year the Macao farmer closed his business and forfeited his licence. At this point the Macao Government stepped in and carried on business until July 1910 at which point a new farmer was engaged with a contract expiring on 31 July 1913. But with export markets choked, practically all the locally prepared opium was also consumed locally in Macao between 1909 and 1910 (181 chests in 1909 and 150 chests in 1910). (In 1911, 79 chests were boiled in Macao for local consumption.) But with a prohibition imposed on opium consumption in China in the wake of the 1911 Revolution, the presumed local consumption in Macao increased dramatically, rising to 150 chests per annum. However, the totality of this amount was not actually consumed locally but entered China as an illicit import. In 1912, Macao processed 450 chests of raw opium. This surge can be accounted for by an increase in exports to Mexico (with 114 chests exported in the first six months of 1911, and with 340 chests of prepared opium exported during the 12 months ending 30 June 1912) (PRO CO129/369, Government House, Hong Kong, 24 October 1910).

With the re-establishment of the Farm in 1911, illicit or uncertified imports of Indian opium and re-exports picked up. Between July 1911 and June 1912, Macao imported 1,364 chests of uncertified Indian opium, and with 635 chests shipped via Singapore, 400 via Calcutta, and 329 via Hong Kong. During the first six months of

1911, the Macao Opium Farm boiled 114 chests for export to Mexico. The figure for the next twelve months was 344 chests. The British drew the inference that the large amount slated for export to Mexico was not for legitimate purposes and, more likely, the excess chests were diverted to China. For example, in 1910, the British authorities in Hong Kong noted the futility of enacting legislation in Hong Kong to restrict the export of morphine, opium, and cocaine to China as these drugs were exported to Macao where no apparent restriction on their re-export to China existed. In the year under review, 2,825 pounds of morphine and 2,600 ounces of cocaine had been so exported (PRO CO129/369, Government House, Hong Kong, 24 October 1910).

In 1913, after protracted discussion, Portugal agreed with the concerned British authorities to limit its imports of raw opium to 260 chests per annum for local consumption, and with 260 chests for re-export. While certain British officials thought this amount excessive and prejudicial to Hong Kong's own proposed monopoly, and sought to have

this figure trimmed back, the fear was that Portugal would break off negotiations. The major *quid pro quo* for the Portuguese was that because the British would guarantee the transshipment of the opium and, presumably, the supply, the need to charter ships was obviated (PRO CO129/396, Lu Chenghsiang to Sir J. Jordan, 7 September 1912). On 14 June 1913, the British and Portuguese struck an agreement on opium, terminable by either party any time with twelve months' notice. This agreement, the Convention for the Administration of the Opium Monopolies in Macao and Hong Kong, allowed Macao to import a quotient of the opium imported by Hong Kong. As shown in Table 1 on the number of chests of opium imported into Hong Kong and Macao between 1914 and 1919, this was a generous amount, indeed, translating into an average of 473 chests over six years (PRO CO129/465, British Legation, Lisbon, 9 August 1920).

A British memo of 1918 observes that the Macao Opium Farm was re-let for a term of five years from 1 September 1918 for an enormous annual fee or rent to the government amounting to HK\$6,676,000. It was assumed that the Farm, the quality of whose opium was already a byword, would be able to boil and sell all of the 240 chests allowed for export as well as the 260 chests allowed for local consumption. This was despite the fact that Mexico, hitherto a legitimate foreign market for the Macao Farm's prepared opium, had been closed to this traffic by its own government. The report noted that, unlike its predecessor, an extremely efficient producer, the new Farm could not be a financial success without a substantial increase in the price of prepared opium (HK\$12 per tael) and without surreptitious imports of raw opium from such illicit sources as Guangzhouwan (廣州灣), the French Treaty port in southern China (PRO CO129/447, Governor, Hong Kong, Macao Opium Farm, 25 February 1918).

Table 1

Imports of Opium Chests into Hong Kong and Macao

Year	Exports to Hong Kong	Re-exports to Macao
1914	1,236	616
1915	734	500
1916	860	500
1917	860	450
1918	756	300
1919	1,009	469

Source: PRO CO129/465, British Legation, Lisbon, 9 August 1920.

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Eventually, an upsurge of Chinese opium production from 1919 onwards permitted and encouraged by warlords, proved ruinous to Macao and the Macao farmer abandoned his contract after only two years. The Farm was re-let in July 1920 for three years at an annual rent of HK\$3,950,000, or roughly equal to the profit on the Hong Kong monopoly in 1920. To maintain sales, the new farmer promptly reduced his retail prices to HK\$9 a tael (Miners 1987, 246). Also, in 1919, an attempt was made to farm out the manufacture of opium in Timor. The Hong Kong Leong Kwong Company won the licence, but not before the British authorities in Singapore cried foul and intercepted the raw opium before it arrived in Timor. The British suspected all along that this was another scheme hatched by the Portuguese to circumvent opium quotas in order to meet illicit demand in China (PRO CO129/457, Opium Monopoly in Portuguese Timor, 19 February 1919).

III. PORTUGAL/MACAO AND THE LEAGUE OF NATIONS OPIUM ELIMINATION REGIME

In the background of the opium business in early twentieth-century Macao was the opium elimination of the League of Nations to which Portugal was obliged to report. We might describe the system as it emerged in Macao as a parastatal (separate from the State but serving the State) bringing in a closed circle of big importing houses connected with opium supplies in British India, including some ethnic brokers, the British authorities in Hong Kong who operated a parallel system in the British colony and, on the Macao side, banking services offered by the BNU, local agents, the government opium boiler adding value to raw opium through a refinement and packaging process, the colonial state engagement with the local “farmer” who handled local distribution and likely illicit exports to China and export houses who shipped prepared opium to such destinations as Panama and

Mexico. Shipping may have been British, French, or even Japanese (as with the case of the *Nichigei Maru* active in shipping Persian opium).

Eventually, in 1912, the opium question at Macao became internationalised and was specifically raised at the International Opium Convention of The Hague on 23 January 1912 and was duly ratified by Portugal among other nations. As alluded, in June 1913 both Portugal and Great Britain entered into an accord regulating the consumption, sale and export of opium between Macao and Hong Kong. The repression of contraband was also addressed. In January 1914, the Portuguese Ministry of Foreign Affairs confirmed that it had ratified the Convention. British interest in regulating the opium business in Macao, however, stemmed less from morality than expediency. The Commissioner of Chinese Customs at Lappa also made a careful study into the opium trade in Macao. Upon presentation to the Wai Chiao Pu, as the Chinese Foreign Ministry was then known, in turn the report was forwarded to the British Foreign Office requesting British help in obliging Portugal to enforce preventive measures.

According to a British report of March 1913, although the Macao Government had given orders for an annual reduction in the number of opium shops and smoking salons and had issued regulations compelling smokers to take out smoking permits, no effective action had been taken with a view to enforcement. Neither, as reported, had the Macao Government taken effective steps to find funds to compensate for the loss of opium revenue. Such failure to cultivate alternative sources of revenue thus made it appear as though it was still relying on opium as a source of revenue for the future (PRO CO129/400, 6 March 1913). This of course was true.

IV. OPIUM PROFITS AND THE SCANDAL OF 1924–26

Still, the profits or revenues collected under the system have to be explained. Besides the quantity

of opium consumed locally, the real opium business revolved around re-exports. According to an official report issued by the Superintendent of Opium Finances, between the years 1913 and 1916 opium was re-exported to Mexico, and between 1916 and 1920, the opium was re-exported to China. The quantities imported and re-exported can be read off Tables 2 and 3 respectively, with the amount consumed locally for this period logged as in Table 4. Formally, the accord of 14 June 1913 entered into between Portugal and Great Britain restricted imports of raw opium (presumably from British India) to 240 boxes to be prepared for re-export. As noted, the regulation on opium consumption,

“não exige aos exportadores a indicação dos firmes consignatarios nos portos do destino nem a apresentação de certificados aduaneiros passados pelos autoridades desses portos e por isso nada consta na superintendente a esse respeito” [does not require exporters to indicate firm consignees in the ports of destination or the presentation of customs certificates issued by the authorities of those ports and therefore there is nothing in the superintendent (report) in that regard] (AH/GGM/1, Superintendência Fiscalização d'Ópio 24 April 1920). Reading between the lines, once the opium was re-exported then it was entirely out of the hands of the Macao authorities and entered another jurisdiction legal or not.

Table 2

**Quantity of Opium Imported into Macao
(August 1913–March 1920)**

Contracted Year	Number of Boxes
1913–14	500
1914–15	500
1915–16	500
1916–17	500
1917–18	500
1918–19	500
1919–20	369
Total	3,369

Table 3

**Quantity of Opium Exported from Macao
(August 1913–March 1920)**

Contracted Year	Taels
1913–14	192,000
1914–15	192,000
1915–16	192,000
1916–17	192,000
1917–18	192,000
1918–19	153,600
1919–20	105,600
Total	1,219,200

Source: AH/GGM/1, Superintendência Fiscalização d'Ópio, 24 April 1920.

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Table 4

**Quantity of Opium Sold for Consumption
(August 1913–March 1920)**

Contracted Year	Taels
1913–14	291,200
1914–15	291,200
1915–16	291,200
1916–17	291,200
1917–18	294,840
1918–19	259,842
1919–20	141,158
Total	1,860,560

Source: AH/GGM/1, Superintendência Fiscalização d'Ópio, 24 April 1920.

The Farm System as it worked in Macao was elaborated in an official report submitted by the Portuguese government to the League of Nations of 20 January 1927 (Portuguese Government, *Traffic in Opium*, 1927). As explained, across the Portuguese Empire the habit of “pathological” opium smoking was (practically) confined to Macao (allowing for “moderate” opium smoking largely confined to Lisbon and Oporto). As also noted, the volume of imports of raw opium into Macao had fallen from 2,000 cases in 1912 to 300 cases in 1926. While Portugal approved the two relevant Geneva Conference resolutions under Law No. 1847 of 2 March 1926, this applied only to metropolitan Portugal, the Azores and Madeira, leaving

the colonies to make their own decisions. Nevertheless, laws relating to the colonies were being drafted. Portuguese colonies were not opium producers and Macao was the only Portuguese colony in which traffic in opium existed. Moreover, as related, the custom of preparing opium in Macao was “centuries old” and that prohibition would be analogous to outlawing alcohol or tobacco (Portuguese Government, *Traffic in Opium*, 1927).

Just as there was a diminution in the volume of raw opium imported into Macao especially in 1919–20, matched by a diminution in exports in the same period, so, as revealed in Table 5, the percentage of opium as a contribution to government revenue declined dramatically from a high of 57% in 1922–23 to 15% in 1924–25. Obviously, as the British rapporteur commented, “This proves that there has been a considerable reduction in the percentage of opium revenues.” At this time the Chinese population of Macao was estimated at 120,000 and with a “floating” Chinese population of 1,126,488 (a figure presumably representing the number of annual visitors). Although the population had increased in this period owing to political instability across the border, such instability did not translate into economic benefits for Macao much less its gambling or opium business. As explained below, there were also critical issues of opium supply which disrupted the smooth running of the Opium Farm.

On 4 February 1923, the agreement signed in London between 1913 and 1923 on the basis of The Hague Convention (1912) was denounced. Whereas hitherto Macao could import 500 cases of opium from India for its own consumption and re-export, under a new dispensation of 4 February 1923, Macao was disallowed from obtaining opium from India. The Macao Government then signed a new three-year agreement with the concessionaire allowing it to obtain opium from any source. The concessionaire duly imported 360 cases in the first year, 340 in the second, and 300 in the third. Along with stock (463

Table 5

Revenues Accruing to the Government under the Opium Farm

Year	Revenue	Percentage of Total Government Revenue
1922–23	\$2,701,800.00	57%
1923–24	\$2,457,356.04	45%
1924–25	\$1,082,022.17	15%

\$ = Mexican dollars (approximately equal to half a gold dollar)

Source: Portuguese Government, *Traffic in Opium*, 1927.

cases were re-exported to Paraguay, at least nominally), leaving at the end of December 1925 a stock of 300 cases (Portuguese Government, *Traffic in Opium*, 1927). As discussed below, the system was also rife for exploitation, including the illicit export of raw opium.

In drawing attention to a major scandal, a British communication of 10 March 1927 asserted that the Macao Harbour Master had been repatriated over corrupt practices as with facilitating his police in using the government launch to brazenly assist the concessionaire to illegally export opium in return for a share, namely, \$3,000. This was during the governorship of Rodrigo José Rodrigues (January 1923–October 1925) and he would attract some of the opprobrium. The head of the water police, Drummond, was sentenced to two years in prison and most of the staff of the water police dismissed. The opium farmer was obliged to pay a large levy in fines and, according to local Portuguese opinion, with the Governor “determined to clean up the mass of corruption which has had its source in the Opium Farm for many years past” by taking away the opium concession and running it as a government department (Lloyd 1928).²

Under the Opium Farm contract, the concessionaire was bound by a number of strict protocols, especially relating to import and export. The consumption, sale and export of raw opium in Macao was prohibited except under government permit. Opium could only be imported in cases and not in any other quantity. The import had to be authorised by a Superintendent and unloading of ships restricted exclusively to the Inner Harbour had to be supervised by Treasury officials. The raw opium was then stored under the supervision of the Superintendent and placed under the watch of special police. Any re-export had to be sanctioned by the Superintendent also taking into account a list of countries where the import of opium was prohibited. Exported opium allowed a minimum of one bale of Bengal opium and one packet of Malva, Persian and Turkish opium. The concessionaire with his contract binding until 30 June 1927 held the monopoly upon the preparation, manufacture, sale and export of prepared opium. Again, as noted, “opium-smoking establishments are prohibited by law” [but not of course in practice]. Notwithstanding Macao’s “free port” status, passengers and ships were liable to be searched by the “opium police services”. Even so, as noted, the traffic of over one million persons through Macao every year made such efforts difficult in the extreme (Portuguese Government, *Traffic in Opium*, 1927).

Lloyd Report on the Macao Opium Farm (1924–27)

In 1929, J. D. Lloyd, serving as the “Superintendent of Imports and Exports,” was commissioned by the Hong Kong authorities to write a report on the Macao Opium Farm, even though it had then passed under direct government control (Lloyd 1928). Having gained access to the late concessionaire’s (Lee Hysan) account books held with the Estate Duty Commission, Lloyd was able to reconstruct a near total picture of the *modus operandi* of the Farm, as it then operated under Lee Hysan’s management in the years 1924–27. Even allowing that items were out of sequence, some records simply missing, and the existence of arbitrary

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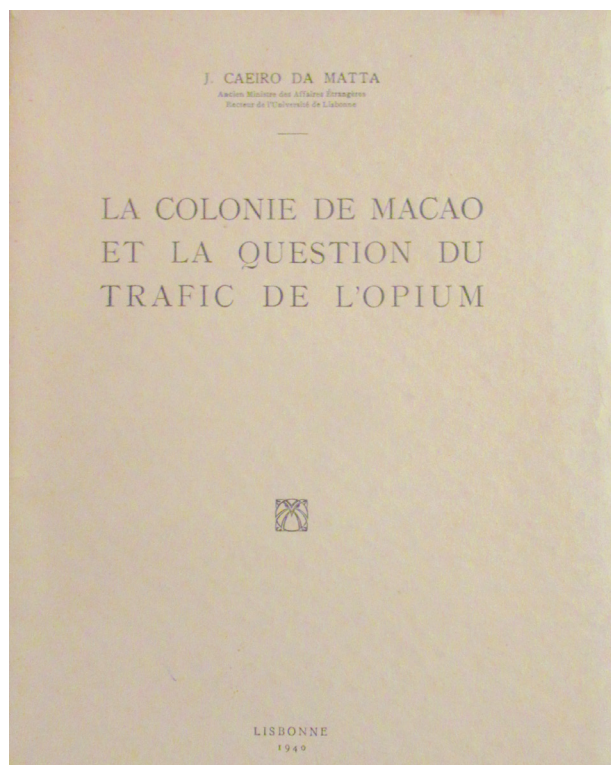
lapses relating to debit payments and credit not seen to be in line with Western bookkeeping principles, the report was nevertheless damning of irregularities on the Macao side.

Capitalised at \$3,000,000, the Farm came under the name of Lee Shing Company operating out of an office in Hong Kong and using Hong Kong banks. With the Hong Kong side run by Lee Hysan (利希慎) and Kou Ho Neng (高可寧), the Macao operation was in the hands of Fung Chok Iam and Pak Lui Kim (in other words, a veritable syndicate). Subscribers to Yue Hing Co. had no claims upon profits made on the Farm operation and neither could they derive profits from the Persian opium imports outside the Farm. As the report notes, the accounts, however, “made no distinction between raw and prepared opium”, thus Yue Hing capital was used to finance “shiploads” of raw Persian opium. As Lloyd summed up, by early 1927,

Yue Shing was losing heavily on the Macao Farm side, especially as Indian opium could only be obtained (via Guangzhouwan) at an exorbitant price, and second, because of competition from cheap smuggled Chinese opium as well as the economic issues stemming from the 1925–26 political disturbances in Guangzhou. Nevertheless, profits on the retail sales of raw Persian opium reached 30% to 100%. Overall, Lloyd reckoned that typically, as with other Chinese syndicates, most profits were skimmed by active managers of the firm, along with their friends and relatives operating on credit (Lloyd 1928).

Essentially, Lee Hysan’s operation was dual track. The legal side fitting the remit of the Farm administration concerned the importation of Indian opium, much of it sourced from French Indochina (Saigon or Guangzhouwan) courtesy of arrangements with the French colonial administration, and with its local retail operation reaching down to the smoking divans. The local Macao ship, *SS Wing Wah*, was busily engaged in this trade. Boiled, refined and/or blended in Macao, the Farm opium was strictly for local consumption, although a quantum ended up for resale in Hong Kong. The other side of Lee Hysan’s operation was the import of literally shiploads of Persian opium unloaded in Macao with government co-operation but outside the Farm contract and mostly headed to third destinations including Shanghai (Lloyd 1928).

On the retail side, as the Lloyd report embellishes, notwithstanding the Macao Government report of 1925 to the League of Nations foregoing the operation of divans (and echoed in Macao Government Law No. 1847 of 2 March 1926), in fact under Yue Hing, there were some 70 retailers of prepared opium (or the opium prepared on site by the Macao opium factory). In turn, the retailers supplied divans on a monthly commission basis, with divans selling twice as much as retailers. (Although the numbers of divans are not mentioned, I would estimate hundreds if we include neighbourhoods and households.) Four brands of opium were produced and packaged locally. One



Cover of book on the question of opium trafficking in Macao by a former Portuguese Minister of Foreign Affairs (Lisbon, 1940). Author's collection.

described as “Pots” had a constant sale in Macao. By contrast, Kamchan was more expensive and comprised mostly Indian opium. Flying Horse brand, frequently seized in Hong Kong, was often sold on credit (as was Mun brand), and at the bottom of the scale was Horse brand, a blend of fresh opium with a large admixture of dross. In fact, all the prepared opium was a blend and optimally a blend of Indian and Persian opium. Chinese (Yunnan-produced) opium which entered Macao via Indochina and shipped from Haiphong or Guangzhouwan was also used locally especially as there were limits upon blending with Persian opium (whether technical or supply-related it is not clear).

Under the 1925 League of Nations Convention, the sale of raw opium was prohibited, yet in Macao direct shipments of raw opium continued to arrive from Bushire in Persia. On five occasions Lee Hysan even dispatched his buyers to Persia to oversee the business of fixing the paperwork so it appeared that the destination was Vladivostok and not Macao such as declared at Bushire. As Lloyd explains, this was a great deception. Official reports from Macao always indicated these shipments under the heading “merchant” and not “farmer” though in fact it was the farmer who took charge of the ship’s cargo. Under this arrangement, greased by payoffs and inducements, Macao officials offered a “free hand” to the farmer. [In February 1927, the SS *Kumamoto-maru* arrived in Macao ex-Bushire with a declared cargo of 404 chests of opium (but it actually left Bushire with 693 cases bound for Vladivostok).] As became known to the British authorities and the League of Nations, the balance of opium was disposed of at various points along the coast of China. This was also illustrated by the case of the SS *Tin Fook* which travelled on to Shanghai with a consignment of 125 chests of raw Persian opium. Indeed, Persian opium was needed in Macao for blending especially when, at a later stage, Indian opium arriving via Guangzhouwan became too expensive. But Persian opium was not “smuggled” into Macao because it was landed in full knowledge of the

authorities. In other words, a large discrepancy opened up between amounts shown in the farmer’s books and those declared by the Macao Government (Lloyd 1928).

As the Lloyd report graphically revealed, the downside to the entire operation was a system of gratuities paid to local officials to buy their silence. As established, the “whole of the legal profession in Macao seems to have received regular retaining fees.” The Attorney General received \$2,400 per annum salary paid over three years. An unnamed foreigner and other “outsiders” received monthly kickbacks of around \$1,000. The Macao Governor received an expensive diamond ring on his birthday, but with the largest pay outs offered to an unnamed female designated “beautiful one.” While these payoffs bought the complicity of the official class, a second set of presents and payoffs went to the people directly concerned with landing the opium. These included the Superintendent of Opium who received presents “whenever opium was being landed,” and whenever “export of Persian opium was being made.” Rewards to the “beautiful one,” deemed an “influential person,” exceeded even pay outs made to the Superintendent. Additionally, the crews of government launches, water police on duty and other marine staff were rewarded. In fact, the name of a powerful female did enter the records and that was Tuk Poh (wife of the governor) whom, Lee Hysan complained, had taken a bribe of \$70,000 but still had not facilitated Yeh Shing’s contract extension. One more payment, that made on 5 December 1926, was a hefty \$50,000 paid out to the French military command in Guangzhouwan (itself manipulating price and volume), presumably to expedite the export of Indian opium. In yet another anomaly, no fees were paid to the Macao Government with respect to Persian opium and indeed there was much ambivalence in reporting on fees to the government (even presuming that the farmer was contracted to pay the government \$3,000 a chest for all Indian opium sourced outside of India, and \$7,000

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if directly sourced). As Lloyd rationalised, with all this money paid to poorly-renumerated officials in Macao — functional in a local sense and welcome for the boat crews and port workers — Lisbon could never get a handle on it (Lloyd 1928).

Because the picture he drew implicated the Macao administration from the governor down in systematic payoffs or corrupt dealings, the Hong Kong Governor Sir Cecil Clementi was even loath to release the report lest it damage political relations with the Portuguese government. As Clementi cabled to London, “The report should on no account be published. Publication might involve libel claims and would certainly be regarded as an unfriendly act by Macau Government.” Writing in 1929, as he added, he was convinced that the then present administration in Macao was making a “genuine effort to run the Monopoly honestly” (PRO CO129/513/10, “Opium Macau,” 1929).³

V. THE OPIUM FARMERS

The system would not have worked without local collaborators and they certainly fitted the definition of comprador capitalists. Some of the names appear obscure, perhaps victims of bad plays, while others made fortunes and with their family names still prominent through unto the present as their descendants parlayed their respective patriarchs’ wealth into new ventures as with banking or real estate. As revealed below, the farmers tended to be domiciled in or connected with Hong Kong. It should also be noted that with each concession coming up for renewal (at first at three-year intervals and then five), the government ratcheted up the fee to its benefit although without creating a disincentive to the farmer in this wildly lucrative business.

Sensationally, as reported in the Hong Kong press (and as echoed in Singapore newspapers), following a “startling denouement” in negotiations between the Macao Government and the opium farmer, under instructions from Lisbon, on 4 May 1909 the Portuguese



Plaque placed outside the Peace Hotel on the Bund, Shanghai, to commemorate meeting of the International Opium Commission, February 1909. https://commons.wikimedia.org/wiki/File:International_Opium_Commission.jpg

governor in Macao physically seized the Opium Farm and premises. This act led to much conjecture and with the farmer (Lau Wo Kung Sz for Chan Iat San) seeking legal action (“Macao Opium Farm Seized,” *The Straits Times*, 13 May 1909). Litigation for recovery of property dragged on in the courts for years and with the Chan family vindicated with the Final Court of Appeal ruling against the government and, in June 1915 returning the property (occupied by the official printing press) and accrued rents to the family (*The Singapore Free Press and Mercantile Advertiser*, 20 May 1909).

Yet, as explained in the *South China Morning Post*, the bulk of the trade in opium was from Macao to San Francisco and, under new legislation passed in the United States, this trade was no longer admissible. With his business abruptly stopped, the farmer had no other choice but to inform the government that he could no longer keep his end of the agreement on rent. Although the governor pleaded hardship on the part of the farmer, Lisbon laid down the law (*The Singapore Free Press and Mercantile Advertiser*, 20 May 1909). For a short interim, the Macao Government conducted its own opium monopoly. But there were some signals here as well with the abolitionist stand taken by the United States at the meeting of the International

Opium Commission held in Shanghai in February 1909, in line with the professed intent of the Qing government to suppress the trade (*The Singapore Free Press and Mercantile Advertiser*, 20 May 1909). Even so, the Qing government was also prepared to set up its own opium monopoly.

Taking up the story in 1909 with the termination of the concessionaire's contract and with the refusal of the government to extend Chan Iat San's right to buy opium on 7 October the same year, Ip Sio Cheng gained the exclusive right for exploitation of the Opium Farm with his payment of a monthly fee to the treasury (MO/AM/DA/008/01/01/006 1909/07/26). But in May 1913, as noted in the *Boletim Oficial*, the Lisbon government cancelled the contract as of the following 31 July, or two years before the expiry date. As the *Hong Kong Daily Press*

interpreted, with the Macao Government receiving only \$150,000 per annum from the concessionaire, they had received a better offer at \$400,000 ("Untitled," *The Straits Times*, 2 May 1913).

On 1 August 1913, the Opium Farm was offered to Messrs. Chau Shing and Siu In, with the former the manager of a piece-goods shop in Central, Hong Kong, and the latter representing a private Chinese bank in Hong Kong. Various other Hong Kong and Macao firms held substantial interests and served as subcontractors. Still, other local "small holders" engaged in illicit business with the Philippines (PRO CO129/403, Government House, 11 August 1913). According to a media account, as the highest bidder among 20 tenders, "Si Oin" won the five-year lease paying \$1,056,000 with an obligation to pay the government \$46,000 per annum. Another condition of letting the Farm was that



Opium House, Rua das Lorchas/Praça de Ponte e Horta. Macao, 2020. Image by Paul B. Spooner.

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the concessionaire had to deposit with the government one-third of one year's rent as security. On his part, the farmer was allowed to import annually 500 chests of "uncertified" opium from India, as well as "certified" opium from Hong Kong and elsewhere upon paying a royalty of \$900 per chest of opium to the Macao Government ("Opium in Macau," *The Straits Times*, 24 July 1913).

From 1 September 1918, the Macao Opium Farm was again contracted out for a new term of five years "for an annual fee of \$6,676,000 to the highest of 19 tenders, described by the British as an 'enormous fee'." As the British authorities feared, the new syndicate could not operate at a profit without raising prices or seeking out illicit sources of opium from Guangzhouwan (PRO CO129/447, Macao Opium Farm, Government House, Hong Kong, 25 February 1918).

As legal scholar Christopher Munn explains, the "Million Dollar Opium Case" prosecuted in the Hong

Kong courts between 1915 and 1918 was a series of actions originating in the winding up of the Yue Hing Company after shareholders accused its directors of fraudulently appropriating chests of opium worth over a million dollars. Proceedings by the Official Receiver against the directors to recover the opium culminated in a hearing lasting a record 131 court days. Nearly every document put in by either side was "alleged by the other to be a forgery *ab initio*, or to have been falsified for this action," as the judge, Henry Gompertz, wrote privately (cited in Munn 2017, 108). Lee Hysan, who had had business links to the Hong Kong Opium Farm — then a legal producer — and the Macao opium trade, won the case.

According to an Archives of Macao summary (also displaying a bilingual Portuguese–Chinese passport), Kou Ho Neng (1878–1955), originating from Panyu District in Guangdong, obtained a licence for fan-tan gaming in Macao in 1911 and opened a fantan house under the name of Companhia Tak Seng in Rua da Caldeira. Since 1918, Kou had been the sole concessionaire for fantan and was active in the pawnshop business in both Hong Kong and Macao. In 1914, an organisation called Sap Iau Tong, formed by ten shareholders including Kou, was granted a licence for the opium trade in Macao under the name of Companhia Iau Seng (also known as Tai Seng Co.) (City Guide, "Kou Ho Neng Mansion."). According to a Singapore press account, Tai Seng was granted the Macao Opium Farm monopoly in 1917 for a five-year term. Amid keen competition, nineteen tenders were submitted, the highest over 6 million dollars a year and the lowest 2.4 million (*The Singapore Free Press and Mercantile Advertiser*, 25 December 1917). As reported, in April 1920, the Macao opium farmer forfeited their deposit of \$2,225,000 to the government through inability to successfully continue the monopoly. As a temporary measure, tenders were called on a monthly basis up until July at a rental of \$200,000 a month pending the launching of tenders for a new five-year concession from 1 August 1920. It was not thought that the fee would be reduced from 6 million to a more sustainable level (*The Straits Times*, 15 April 1920).



Opium House, Rua das Lorchas/Praça de Ponte e Horta. Macao, 2020. Image by Paul B. Spooner.

On 20 April 1920, it was announced that the Farm was to be put up for auction for a period of three years (1 August 1920–31 July 1923) and with an “upset” price of \$5,481,500 per annum. Simultaneously, the gambling monopoly was also put up for tender. There was thus a need for an interim opium concession from April to July. Three firms were in contention, with Tai Seng Kongsí making the highest bid which was accepted (*ibid.*). As explained below, Tai Seng evidently lost out in winning the concession in 1924 to Lee Hysan and Yue Hing (Yue Shing Hong) [Lee Shing] Company. Macao Government contract conditions for Lee Shing were opaque and never published. Also, as discussed below, on 2 March 1926, under Law No. 1847, the Macao Government agreed to take over the exclusive sale of opium as approved by the Conference on Opium held in Geneva on 2 November 1924 and as ratified by Portugal (PRO CO129/502/10, Opium, 1927, Governor Tamagnini de Sousa Barbosa, Extract from *Boletim Oficial* of 9 April 1927).

Kou Ho Neng (see photo on p. 7) would go on to found the Tong On Steamship Company connecting the Portuguese colony with Hong Kong and the mainland. In 1916, he also acquired the current heritage “yellow house” located on Rua do Campo across the corner from Banco Delta Asia (City Guide, “Kou Ho Neng Mansion.”). Born in 1894 in Nanhai, Foshan in Guangdong Province, Kou’s partner Fu Tak Iam (Fu Lou Iong) (傅老榕, 1894–1960), arrived poor in Macao before the war and, as indicated, moved into the world of casinos via partnership with Kou. Together they not only gained the gambling concession, but also took over the landmark Central Hotel. In 1937, in an important step for the evolution of Macao’s modern gaming industry, Kou set up Companhia Tai Heng in partnership with Fu Tak Iam, going on to win the exclusive right of gaming operations in the territory at a bid of 1.8 million patacas per year. Fu Tak Iam’s Tai Heng Company (泰興公司) would remain the holder of the exclusive right for over 20 years (MO/AH/AC/SA/01/05595 1915/11/05).



Opium House, Rua das Lorchas/Praça de Ponte e Horta. Macao, 2020. Image by Paul B. Spooner.

Lee Hysan and Yue Hing Company

In 1924, as alluded, the Macao opium concession passed to Yue Shing Hong [Yue Hing] Company and with Lee Hysan acting as manager. In turn, the Hawaii-born Lee Hysan had helped to dynamise family business in Hong Kong especially in land deals as well as in opium. However, his management of the Macao concession came to an abrupt halt in 1927 when the Portuguese Macao Government decided to revoke the licence, claiming a government takeover of the business. Instead, the government resold the concession to another farmer for \$120,000. The licence was terminated following an edict from the Portuguese government in the wake of an international agreement on opium trading in 1927 (PRO CO129/508/7).⁴ One year later, Lee Hysan would be in court again over alleged defamation of the Superintendent of Opium (Yeung 2008).

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Pedro José Lobo v. Lee Hysan

With the end of the Farm System, as explained below, the farmer did not go quietly. As the Governor of Macao reported on 22–23 September 1927 to Augusto de Vasconcelos, the Portuguese representative on the Opium Advisory Committee and future President of the League of Nations, the opium farmer had been publishing statements concerning the opium business in Macao of a highly defamatory character. The details were not offered but the British were keen to learn (PRO CO129/502/10, Opium, 1925. Malcolm Delevingne, Geneva, League of Nations, 28 September 1927). As explained in a media piece published in Hong Kong, the alleged libel was contained in a petition presented to the Macao governor which suggested, *inter alia*, that \$120,000 had been paid by Yau Seng Company to obtain virtual control of the Macao Government opium monopoly (“Macao Government’s Opium Monopoly,” *Hong Kong Daily Press*, 27 April 1928).

Pedro José Lobo, acting in his capacity as Opium Administrator, sued Lee Hysan over an allegedly libellous petition he had sent the Macao Government, but lost the case. Lee’s (second) legal victory came in March 1928, a month before his death. As determined by the chief justice, the document or publication delivered by Lee Hysan (the defendant in the case) was privileged (not public) and that there was no proof of express malice intended. Lee was assassinated on 30 April 1928 on Wellington Street in Hong Kong, leading to much speculation as to the assailant and with some suspecting that it was somehow related to Lee’s lawsuit with Lobo over the opium monopoly right in Macao (Leung 2016; citing Holdsworth and Munn, eds., 2012, 249–250; Zheng and Wong 2011). On 25 May, nearly a month after his death, Lee Hysan was buried with pomp and circumstance at the Chinese cemetery in Hong Kong. His estate was valued then at \$4.4 million (Manson 1975). His descendants expanded upon his business activities specially in land in Hong Kong to create a business empire bearing the name “Hysan” also associated with philanthropic activities.

VI. LAUNCHING THE GOVERNMENT OPIUM MONOPOLY

As mentioned, in 1927 the Farm System was abolished and opium was established as a state monopoly. The system continued to morph with a government opium administrator appointed. Heading up a small government bureau, in 1927 this office was held by Pedro José Lobo, going on to become the senior-most official in charge of economic affairs in Macao through the war and early post-war period after the governor and the manager of the BNU. As a state monopoly, Portugal was duty bound to report to the League of Nations (and, in a turn of fate, with former Governor Rodrigues becoming the Portuguese delegate).

In the same year, the Indian government made a decision not to supply any more opium to Macao. Although by this date Portugal had ratified a Geneva agreement of 1925 on the elimination of the opium trade, it reserved to continue the system under monopoly conditions with the expiration of the existing lease. Initially, the loss of the Indian supply did not affect Macao’s ability to purchase Persian opium for its new monopoly (Miners 1987, 246). Neither did the establishment of the new Macao Government monopoly put an end to the smuggling trade. Indeed, in July 1927, the new monopoly reduced its price for opium from HK\$6 to HK\$2.80 a tael in the face of cheap smuggled Persian and Chinese opium and also local China-produced opium requisitioned by local military governors in Guangdong. This compared with the fixed price for Indian opium in Hong Kong at HK\$15 a tael. Meanwhile, clandestine opium factories also set up shop in Macao, brazenly using the government label (Miners 1987, 246).

Having fallen in line with the League of Nations, having canned the farmer and kicked off a new government-controlled opium system, Governor Artur Tamagnini de Sousa Barbosa then, in his second term in office (1926–31), still faced down a critical period in Macao’s financial history. As the Governor

explained in June 1927, in order to launch the government monopoly he purchased the remaining stock of 75 chests of Persian raw opium, being the stock of the concessionaire, Yue Seng and Co. (or that managed by Lee Hysan). He sought to purchase 225 chests of opium from the Hong Kong government. He also requested a “loan” of 50 chests of Benares raw opium to be deducted from the 225 on order. He also claimed that opium revenues were necessary to support expanded military defences of the colony at a time of communist threats (PRO CO129/501/0, Barbosa, Macau, 22 June 1927). Although unsuccessful, Portugal sought to get the Government of India to reverse its policy on opium sales to Macao (PRO CO129/502/10, “Opium Macau 1927”).

The end of the Farm System and the advent of the government monopoly system was signalled in the *Boletim Oficial* of 9 April 1927. It reads “[No.18] Having by Law No. 187 on 2 March 1926 approved for ratification, the conference on Opium convened at Geneva on 2 November 1924, to 19 February 1926. By the signature of the final Protocol of these conferences, the Government has contracted to carry out the exclusive sale of Opium, stipulated in the Protocol of the Hague Convention of 1912, the present contract will end on 30 June of the current year and the Government agrees now to establish the rule that from 1 July, in the terms of the final agreement of the same conference, already ratified by Portugal, to establish Government sale of Opium in the Colony.” A first article related to the establishment of the Government monopoly “for the importation, preparation, sale, and distribution of opium” and with taxes and retail rights controlled by an “Inspector of the Taxes of Consumption.” Various other regulations were specified as to re-export (only with special licence and guarantees against illicit use), not to be sold to minors and — deceptively — a prohibition on divans. This was signed off by Governor Tamagnini Barbosa on 6 April 1927 (PRO CO129/502/10, Opium, 1927).

The sense of crisis is carried in a letter addressed by Barbosa to his colonial counterpart in Hong Kong, Governor Clementi. Recounting efforts made by the Portuguese authorities at the Court of St. James to request Hong Kong to deliver an annual supply of 120 chests of opium to Macao, he also thanked the British governor for his earlier special grant of 10 chests (and this grant was later explained by the governor to London as helping Macao to set up its government monopoly). As Barbosa argued, “Under present circumstances I will lack all the moral force to prevent opium smokers satisfying their cravings for opium with recourse to that manufactured by the Chinese on Lappa.” With some sense of melodrama, he continued, “Without its opium revenue, Macao at present cannot exist and, without the legal power to secure raw opium, I shall be obliged to surrender my charge as I cannot face that having imposed in Macao the spirit of the Convention entered into by Portugal in common with other nations and imposing direct government control Macao should die in my hands.” Slightly hyperbolic and emotionally tinged, Barbosa nevertheless called on his personal friendship with Clementi and, although unstated, the ancient alliance between the two, albeit lopsided, imperial powers (PRO CO129/502/10, Opium, Barbosa, Governador da Província de Macau, to Clementi, 14 September 1927). As the Portuguese official Carmona clarified to Clementi, the supply of Indian opium in Macao was indeed exhausted and that, unless Macao received new supply, then the government opium monopoly would be obliged to close down, and that the ensuing consequences for Macao revenue would be serious. Accordingly, Clementi agreed to a transfer of an additional four chests of Indian opium to tide the monopoly over until the end of the month pending the success of Portuguese representations to the British Foreign Office then underway (PRO CO129/502/10, Opium, 1925, Clementi, Government House, Hong Kong to Barbosa, Macao, 15 August 1927). Still, London could not comprehend why, after an interval

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of three months, Macao had not actually taken any steps to procure Persian opium (PRO CO129/502/10, “Opium Macau 1927,” London, August 1927).

As treasurer to the government, as indicated, the BNU handled the financial transactions with appointed opium brokers. For a period in 1934, for example, the BNU dealt with the Persian Opium Export Monopoly Company or through their appointed agents, Amin and Bahbahani and, in turn, their resident broker in Macao, a certain Namazee (See AH/GGM/5, letter from BNU to Governor, 7 March 1934). Under Governor Tamagnini Barbosa continuing through the war years, the BNU was the *de facto* if not *de jure* financier of opium purchases for the government.

It would appear, however, that the government monopoly never brought in the kind of revenues delivered up by the old Opium Farm. Monthly receipts hit a low of \$5,293 in December 1933, a depression year, rising to a high of \$69,000 in June 1937 and \$265,000 in December 1937 (PRO CO129/465). Even so, the American delegate to the Opium Advisory Committee was convinced that, through 1939, Macao was importing greater quantities of Persian opium than

it was declaring, the balance being re-exported to Japan. Two Japanese companies were implicated in this trade, Mitsui Bussan Kaisha and the Osaka Shosen Kaisha, while the BNU was alleged to have handled the financial side of the transactions (AH/GGM/7, 1937).

In 1936, largely owing to American pressure, the Portuguese authorities cracked down on the operations of the monopoly, convicting or dismissing certain officials involved in clandestine operations. Even an (unnamed) governor of the colony was obliged to resign his post. According to American sources, a total of 35 tons of opium had disappeared over the course of seven years. But while the Portuguese authorities undertook to place at the disposal of the Opium Advisory Committee all relevant information on the monopoly, and while complaints even reached the ear of Prime Minister António de Oliveira Salazar, the situation remained unchanged and even deteriorated through to the eve of the Pacific War (Merrill 1942, 63–67).⁵

In particular, the Portuguese authorities in Macao were at pains to distance themselves from American-led accusations presented to the League of Nations Consultative Commission on Traffic in Opium that they were in conspiracy with the actions of an armed Japanese vessel, the *Singapore-maru*, said to have arrived in Macao on 3 April 1938 discharging 2,000 cases of raw Persian opium. And it was further alleged that the opium was escorted by armed Portuguese troops to the BNU. Portugal answered that no armed Japanese ships approached Macao at the time, that no agency of Mitsui Bussan Kaisha existed in Macao, etc., stating (unconvincingly), “*Il y a, d’une part de transparentes erreurs d’information et de nombreuses confusions et imprecisions...*” (Caeiro da Matta 1940, 80–81). Defensively, the report observed that even the official Macao Opium Monopoly Lion brand was frequently faked, as were Lion and Globe, Tiger, Cock and Elephant, Globe and Serpent, Red Lion, etc. Moreover, it should be recalled, Macao was an open port. In any case, Macao Government receipts

Table 6

**Opium Returns under State Monopoly
(1926–1930)**

1926	\$1,102,215.18
1927	\$985,755.00
1928	\$4,319,765.00
1929	\$4,460,215.45
1930	\$4,441,284.84

Source: Tamagnini Barbosa to the League of Nations, 24 January 1930.

from opium for 1938 represented only 14.16% of the total budget (Caeiro da Matta 1940, 80–83).

New Sources of Supply

With the British government exerting pressure upon Portugal by restricting sources of raw opium in India (and with exports banned by the British Indian authorities in June 1927), Macao looked for creative solutions. In one exchange between the Portuguese and British representatives to the Opium Advisory Committee at the League of Nations, the Portuguese delegate informed his counterpart that if Britain did not reverse its decision to cut Macao out of Indian opium imports and if Persian supplies dried up, then “Portugal would be forced to start the cultivation of opium in Timor” (PRO CO129/502/10, Opium, 1925, Malcolm Delevingne, Geneva, League of Nations, 28 September 1927). As it transpired, Portugal did not go down this path but if it had, it would undoubtedly have transformed the political economy of eastern Timor.

In the interim, Portugal turned to the French Opium *Régie* in Indochina as a solution, with Yunnan opium as a substitute. The British government became aware in December 1927 that, when in Paris, Dr. Augusto de Vasconcelos “moved” the French Minister of Colonies to telegraph the French authorities in Indochina with a view to supplying Macao with whatever quantity of opium it wished, leading to the signing of an agreement (PRO CO129/502/10, Opium, Lancelot D. Carnegie, Lisbon, 7 December 1927). Accordingly, in November 1927, the Macao Government dispatched Pedro José Lobo and his procurement team to Saigon to study and purchase opium. This was legal and in line with Article 6 of the Geneva Accords of 11 February 1925. Nevertheless, Lobo had a hard time in Saigon, encountering delays, missing the return ship, and obliged to bargain over price especially as the quality of the raw opium hardly met the minimum standards. As he telegrammed from Saigon, out of 26 tonnes inspected, only 3 tonnes was deemed to be of satisfactory quality (AH GGM/15 1926–1928; MO/AH/AC/SA/01/11676 1927/11/15–1927/11/16).

Undoubtedly, he was correct as “Indochinese” opium either produced in northern Laos or imported from across the border in Yunnan was indeed inferior to Persian or Indian opium.

In the interwar years, Macao came under a League of Nations reporting obligation. As Governor Tamagnini Barbosa wrote in his reporting submission on 24 January 1930, Macao sought to co-operate in the import and sale of opium. As noted, Indian (Persian) opium was the preference of local smokers, fiscal measures were rigorous, and Macao sought to crack down on smuggling. He also noted that Macao was then two years into a new opium administration system. In part to justify the existence of the opium regime he claimed that, owing to Macao’s demographic increase, the administration had to look to the development of schooling and hospitals. As in Table 6, he also revealed figures for returns from opium sales, even if the returns for 1928–30 do appear inflated (AH/GGM/16 1929–1930, “letter to League of Nations by Governor A. Tamagnini Barbosa,” 14 January 1930).

The importance of receipts derived from opium sales or taxes for the 1930–31 period entering the colony’s treasury are revealed in the following matrix (Table 7, and with the figure for imposts or non-opium-derived revenue an aggregate of taxes collected on tobacco, petrol, other gasoline products, and alcoholic drinks).

Table 7

Tax Receipts in Macao, 1930–1931 in Patacas

Opium	1,514,853
Tax	174,905
Total	1,689,782

Source: AH/GGM/17 1931/07/30.

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Depression Years

From an official perspective, with receipts from opium also undergoing a decline during the depression years, gaming or gaming tourism began to appear as an alluring attraction. Looking for solutions, in March 1933 Governor António José Bernardes de Miranda (June 1932–April 1937) proposed a Monte Carlo, San Remo, Biarritz, or Estoril model for Macao by building exclusive casinos in modern hotels to attract high-roller Europeans as well as Chinese from neighbouring cities. As he wrote to the Minister of Colonies in 1933, Macao has no agricultural or industrial base and owing to its proximity to Hong Kong, *não pode se transformada num grande centro comercial* (unable to transform into a great commercial centre). Only tourism guaranteed the prosperity of the colony, he pointed out, and the only way to guarantee tourism was to revamp the gambling industry. He noted that a reorganisation of gambling was underway, by obliging concessionaires to cater for both the wealthy as well as proletarian classes. Limits on the number of gambling establishments were also set so as not to prejudice the Iun Iun Han Kong Si or Fan Tan Company, holder of the concession up until 31 January 1936, and which paid the State an annual rent of \$140,000. Yet, he noted, since most fantan houses were frequented by the most deprived and miserable sections of the population, such revenues represented a heavy indirect tax on this section of the population. Contrariwise, the Chinese merchant classes avoided these places out of dedication to their business while the wealthy classes tended to gamble among themselves in private clubs. In his words, *“de fazer Macau progredir, transformado esta linda cidade numa única estância de Turismo em toda a China”* (to make Macao progress, to transform this beautiful city into a unique tourist resort for all China) (AH/GGM/4, Governor to Minister of Colonies, 30 March 1933).

By 1934, as government reports revealed, owing to the economic crisis the fantan company could no longer continue to pay its tax revenue and sought

a *“rescisão contrato”* or termination of its contract. Likewise, the Chimpupio Lottery suffered great losses. Competition also presented itself in the form of a rival gaming enterprise located at Sum Chum across the border. This led Governor Miranda to speculate that the only way for Macao to beat Sum Chum would be to expand the range of games in Macao. Accordingly, he sanctioned the establishment of two roulette *bancas* or stands in the main Iun Iun Cong Si gaming concession, also conceding a \$200,000 reduction in the concession rent. As Miranda wrote on 20 February 1934, *“Para o futuro, ser considerada, Macau, e as ilhas como zona permanente de turismo permitindo-se nela todos os jogos que aí se permitem no Estoril além dos jogos chineses aqui usado.”* (For the future, it is worth considering that Macao and the islands become a permanent tourism zone allowing all the games such as permitted in the Estoril besides the Chinese games practiced here) (AH/GGM/17, Governor Miranda, 20 February 1934).

With the economic environment improving in 1935, the tax receipts from the Fantan Concession attracted \$1,240,625 for the April 1935–November 1936 period, somewhat redeeming Governor Miranda’s measures albeit not quite his vision (AH/GGM/17, Rendimento do Jogo de Fantan, 13 August 1936). As the government reported in 1936, opium receipts had improved owing to, first, better cooperation between the Macao *Régie* and the authorities in Guangzhou who had assisted in cracking down on smuggling and, second, an increase in legal consumption in Macao (AH/GGM/18, 13 August 1936). In the absence of the aggregate returns for the 1936–39 period, selected figures for monthly returns on opium revenues are indicative, namely \$200,000 for November 1937; \$265,000 for December 1937; and \$220,000 for April 1938 (AH/GGM/17, Nota do financiamento...Opio, 1937–38).

According to the annual report on opium for 1937 issued by the League of Nations, in the reporting year there were then 43 licensed shops selling opium in Macao and 63 smoking divans (and with the figures for 1935, 27 and 69, respectively) [although these figures

undoubtedly masked illicit or private operations when it came to smoking dens]. With a relative contraction in the opium monopoly as it operated in British Malaya, Macao was cited as being the territory most dependent upon opium in support of government revenues. By 1938, it was estimated that opium provided 60% of Macao's revenues, far above the figures for 1926 (33%); 1929–30 (25%); and 1932, a depression year, (20%) (PRO FO37141620, Far Eastern 1945 China File No. 104, Portuguese Possessions in Asia and Oceania RRXa/67/1).

Wartime

Although opium policy and opium supply in wartime Macao requires more research, as the British report continues, the main source of revenue during this troubled period continued to be gambling and opium. Opium was imported in considerable quantities from Guangzhouwan and Haiphong (at least when shipping was feasible). Macao then supported 45 licensed opium dens alongside between 80 and 150 unlicensed dens. Because of the price differential between Macao and Hong Kong, a thriving smuggling trade developed in opium between the two ports (*ibid.*). We may assume a Japanese hand in this trade as they controlled the waterways. They also controlled the major opium poppy production site in Japanese-occupied Manchuria.

VII. POST-WAR: WINDING DOWN THE OPIUM REGIME AND SOCIAL IMPACTS

Basically, the system continued intact until after the war. It was not until the promulgation of Decree-Law No. 933 of 28 May 1946 that opium was declared extinguished in Macao. According to this decree, all divans would be burnt to the ground from 30 June of that year. Needless to say, this measure was not well received by middlemen, dealers and *viciados* (addicts) alike. In May 1946, Governor Gabriel Maurício Teixeira (October 1940–September 1947) issued a decree (Diploma Legislativo No. 933), namely that existing opium dens be closed down and that trading and smoking opium except

for medical purposes be terminated. On 15 August, the Macao Government staged an event on the recreation ground adjacent Praia Grande, heaping up opium utensils used in the cooking of raw opium and burning them in the presence of the anti-opium committee. This comprised Police Commissioner Captain Salgado, Colonial Treasurer, Simões de Abreu, and interpreter of the Civil Affairs Bureau, José Lopes. On 26 September, Salgado conducted a second incineration of government-seized opium and heroin equipment and with police carrying on daily raids on opium dens. In October, three Chinese addicts were — pitifully, given the history of this business — hauled before the courts and fined the maximum amount of 10,000 patacas in one case or, in default, 30 days prison or expulsion from the colony (meaning deportation to Timor) (US Government 1947).

In a stroke, the government which had supported the opium monopoly reaching back in history declared a sudden halt. As an American Central Intelligence Agency (CIA) report surmised, the reason for this action was undoubtedly pressure exerted by the Chinese Nationalist government. For the Macao Government, whose income derived from opium sales in 1945 stood at 900,000 patacas, or 10% of total revenue for that year, the prohibition was a big blow, with the anticipated revenue for 1946 put at 840,000 patacas (US Government 1947). Once again Macao would be obliged to come up with creative solutions as to raising revenues.

Prohibition also had social impacts. To interpret, addicts were punished while the criminal gangs who competed with the government opium monopoly were not apparently targeted or apprehended. Neither did the government reflect upon its own role in facilitating addiction. By today's standards this was a draconian measure without an opiate substitution programme in place. Nevertheless, at the end of 1946, the Conde de São Januário Hospital set up an "internment" and treatment centre for *toxicómanos* (addicts) (MO/AH/AC/SA/01/19432 1946/12/14). In 1960, a committee was appointed to study measures to be taken to rehabilitate both beggars and drug addicts (MO/AH/AC/

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SA/01/21807 1960/07/11–1960/08/01). This or other initiatives led to the creation of a *Centro de Combate à Toxicómania* or Centre for Combating Drug Addiction active from the mid-1960s onwards. By 1966, if not earlier, the Kiang Wu Hospital had established a *Centro de Combate à Toxicómania* (MO/AH/AC/SA/01/26672).

It is surprising that the anti-opium committee did not include Chinese membership. Lobo, the economic czar, was also absent from the list. With the criminal syndicates still operating, with thousands of addicts in the throes of withdrawal symptoms, a new and even more pernicious market was instantly created, namely locally refined morphine or heroin which, in short time, would become the drug of choice as opium was driven underground.

During this early Cold War period, there were many propaganda recriminations as to whether China was engaged in the drug trade or, contrariwise, whether this was a tool used by the CIA. According to a CIA report of 1956, there was “no reliable” evidence to suggest that China was officially complicit in the illicit export of opium or its derivatives, although small quantities of opium were produced in Yunnan by local tribes and exported via Burma. On the contrary, Burma, Thailand, and Laos especially did produce up to 150 metric tons of raw opium annually with a proportion entering markets in Malaya, Macao, and Hong Kong (US Government 1956).

In 1955, there were four known morphine-heroin processing factories in Macao using opium sourced from Southeast Asia, with Thailand the main point of origin and with the trade dominated by non-communist groups (including the CIA in Laos at a later stage) (McCoy 2002). At this point in time, and unlike the rest of Southeast Asia, the Macao and Hong Kong markets were not oriented to opium smoking but, rather, catered for users of heroin (smoked) and “heroin red-ball” pills, both especially addictive. Together, the two enclaves hosted 10,000 addicts (but that seems an underestimate). Total raw opium imports equalled 25–40 tons of raw opium and with exports of 15 to 30 tons.

Macao itself imported between 5 and 10 tons of opium for consumption and transshipment (US Government 1956).

CONCLUSION

There is no question that revenues from opium remained a major mainstay for the Portuguese administration through the first half of the twentieth century, even alongside other sources of income derived from exclusive monopolies issued in gambling and other activities. In resorting to an opium monopoly under the Farm System, the Portuguese in Macao did not stand out from other colonialisms of the era, as with the French in Indochina and the British in Malaya and Hong Kong. But with the British in control of a major source of supply, as in India, and with the French in control of local Indochina sources of opium in addition to sources of Chinese opium from Yunnan and Guangxi, the Macao opium monopoly was to a large degree hostage to these external sources. No less, at the League of Nations or locally in dealing with the Hong Kong government, the Portuguese were not only defensive but obliged to engage in a kind of opium diplomacy to guarantee supply. This became critical when British India fell in line with League of Nations stipulations and simply choked supply of premium raw opium.

As exposed in the Lloyd report, the actions of the terminal opium farmer in Macao stretched credibility, such was the illegality of the trade and such was the local corruption of the trade at least from a British standpoint. Not even the Macao Government takeover of the monopoly in 1927 put an end to abuses in the system, although the percentage of opium's contribution to total government revenue was declining relative to the rising gambling industry. As it happened, with the system intact through the war years, the climate for total abolition only came in the immediate post-war era and that was abrupt. As noted, where opium was abolished the authorities in Macao (and Hong Kong) did not reckon upon the post-war

or actually Vietnam War-era boom in heroin leading to the creation of other drug dependency issues.

More generally, the Opium Farm System along with the creation of exclusive monopolies in gambling and other activities helped to spawn a class of entrepreneurs or comprador capitalists. Farm and gambling syndicates expanded into shipping, banking, and other trade-related activities. Banking may have included the collateral gold and currency exchange business, as well as extending lines of credit to business associates. Typically, as the Lloyd report hints, the beneficiaries and profit-makers were usually friends and relatives coming to comprise syndicates. Typically, the concerned families, invariably Chinese, were multi-generational in the sense that family helped to diversify business interests as in the property market or in shipping. Similarly, with family interests straddling both Macao and Hong Kong new synergies would develop in the post-war era as with gambling interests, but unlike

in early post-war Saigon under the Republic of Vietnam, this would no longer include opium. It might also be said that the so-enriched farmer-compradors who reaped profits from Macao's Opium Farm and who contributed to local charity tend to be better remembered.

Although hardly ever touched upon in the literature, we should not ignore the social impact upon local addicts. On the side of the consumer, a system of local opium divans was widely dispersed in back alleys, or in the Inner Harbour on junks and ships, in houses of prostitution, casinos, hotels, patrician mansions and patronised by a range of clientele, working-class Chinese, patrician Chinese, not excluding Portuguese sojourners, making opium addiction a way of life, even a lifestyle, albeit one draining upon household income, not to mention the long-term health of the addicts. But, at the heart of the system was profit, quintessentially for the colonial state but also for the opium farmer, his close syndicate members and layers of intermediaries on the take. **RC**

NOTES

- 1 See *Diário da Câmara de Deputados*, n.º 31, 20.03.1899, 39 and annex: *Receitas de Macau conforme o Relatório do Ministro da Marinha e Ultramar em 1899*, 352.
- 2 In a letter written on board the ship *Tamba Maru* while transiting Singapore on the journey home, dated 7 October 1923, World War I hero and future coupmaker, General Gomes da Costa, who had visited Macao, warned of the existence of a traitor named Paulino in the office of the addressee (Governor Rodrigues). He advised a reduction of public cadres in Macao and distrust of the opium monopoly (See Fundação Mário Soares).
- 3 Telegram from Governor General of Hong Kong to Secretary of State for Colonies, 10 January 1929. Even so, Colonial Secretary Southorn disagreed with Clementi as to exposure of the report.
- 4 Enclosure 11: Copy of an extract from *Hong Kong Daily Press*, dated 28 March 1928, "Macao Opium Monopoly, Case Against Mr. Lee Hysan".
- 5 By inference, the unnamed governor could have been Governor António José Bernardes de Miranda (June 1932–April 1937), but this is not clear.

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