
The Chinese in Colonial Rabaul: An Informal History

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Abstract

This paper is concerned with the economic history of immigrant Chinese in colonial Rabaul and its hinterland (in German, later Australian, New Guinea) over almost a century to the Independence of Papua New Guinea in 1975. It is a companion piece to another study concerned with how Tolai people of the hinterland accommodated themselves to the colonial market economy (Conroy, forthcoming). Without pretension to novelty in the historical narrative it asserts the value of viewing events through the lens of 'informal economy', as constructed by Keith Hart. The Chinese are shown as operating an informal economy parallel to, and inter-penetrating, the formal colonial market economy. That formal economy *conformed* with norms of Weberian 'rational-legal' bureaucracy, guided (in the case of the Wilhelmine state) by an ideology of 'national-economic purpose'. Under Australian administration, and after the Pacific War, the prevalent intellectual model became one of 'economic development'. Under both administrations, however, Chinese demonstrated to the Tolai that it was possible to participate in the market economy without complying fully with bureaucratic norms. The Germans found it difficult to confine Chinese to dependent and subordinate roles, and Chinese often colluded with Tolai to frustrate German (and, later, Australian) efforts to regulate economic activity to their own advantage. The paper describes the growth and increasing formalization of Chinese business in Rabaul, while noting a continuing strain of informality in their economic activity right up until Independence. It suggests that knowledge of the history of the early colonial-period Chinese may be useful for understanding the character and trajectory of 'new' Chinese settlement in Papua New Guinea in the twenty-first century.

Keywords

Overseas Chinese, informal economy, regulation, colonialism, bureaucracy, entrepreneurship, German New Guinea, Papua New Guinea, Max Weber, Keith Hart, Peter Bauer, Bernhard Dernburg

JEL Classification

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Prologue

This paper is concerned with particular aspects of colonialism in German (later Australian) New Guinea over a time-frame of about a century from the 1870s¹ and is an extract from a lengthy work-in-progress². It is based on a reading of standard sources, without any pretension to novelty in the historical narrative. However, it asserts the value of viewing the record of European, Chinese and indigenous New Guinean economic activity through the lens of 'informal economy'.

The notion of *informality* in economic life was constructed by Keith Hart (1971, 1973) in relation to notions of *bureaucracy*. He noted Hegel's belief that 'society ... should be managed by an educated bureaucratic elite in the national interest', and that Max Weber had subsequently 'recognized such a synthesis in Germany's historical experience of the nineteenth century alliance between Rhineland capitalists and Prussian bureaucracy' (Hann and Hart 2011, 30). Bureaucracy in an emerging nation state was an essentially positive construct, 'invented as part of a democratic political project to give citizens access to what was theirs by right'. In practice, however, it has often appeared to operate as 'the negation of democracy' (Hart 2006, 23). For example, the emergence of Weberian bureaucracy in colonies was associated with the growth and elaboration of market exchange, but without any necessary democratic engagement of the colonized peoples. While German residents of New Guinea could engage with a local political process in defence of their interests or make representations directly to Berlin, Chinese residents had no such access and New Guineans were coerced rather than consulted (Conroy, forthcoming).

What Hart called the 'prevalent intellectual model' (an economic orthodoxy or ideology) informs the prescriptions of bureaucracy. Weber's 'rational-legal' model of bureaucracy became an instrument for regulating the growth and elaboration of market exchange associated with the rise of German industrial capitalism (Hann and Hart 2011, 30). By the early twentieth century Colonial Secretary Bernhard Dernburg had enunciated an explicitly 'mercantilistic' economic ideology, defining a 'national-economic purpose' for the German colonies. This required 'an exchange of goods and men for culture and civilization', whose goal was 'the acquisition and development of raw materials'. This policy model, serving the interests of the Wilhelmine state, extended also to German New Guinea and underpinned the bureaucratic system established there by the Reich (Conroy 2013b). By reason of personal experience and national history Germans were largely 'institutionalized' to that system; Chinese immigrants (and the native Tolai) were only ever imperfectly so.

Bureaucracy creates rules to give *form* to its own activities and to those of whoever, or whatever, is regulated by it. In this way economic activity becomes liable to enumeration, and its status as being enumerated becomes a crucial marker of its formality. There are

¹ Christine Inglis, Robin Hide and Bill Stent are thanked for taking a helpful interest in this paper, but are absolved from responsibility for the writer's conclusions

² The suite of papers preceding this study is available online at <http://ssrn.com/author=1789610>

other criteria, emerging from a diversity of empirical circumstances, but in general it is the nature of bureaucratic frameworks and activity (as informed by a dominant economic orthodoxy) which substantially determines the character, and designation, of economic activity as being either formal or informal. Informality challenges bureaucracy by failing to *conform* and informality in economic life is defined in opposition to the formal economy. In colonial Rabaul there was constant tension between the expectations of German bureaucracy and those of the immigrant Chinese and native Tolai. The writer has argued elsewhere that the Australian colonists, who succeeded the Germans in 1914, substantially adopted the bureaucratic conventions of their predecessors for the governance of their new colonial territory (Conroy, forthcoming). Consequently this tension continued throughout the period of their Administration, to the Independence of Papua New Guinea in 1975.

The particular ideology, or economic orthodoxy, which guided bureaucratic action was subject to periodic changes, according to historical circumstances. The Germans pursued Dernburgian 'national-economic purpose' during their tenure, while between the wars an Australian administration concerned itself with maintaining the economic value of its captured territory and distributing the spoils, subject to its obligations under League of Nations mandate. After the Pacific war Australia adopted the new international orthodoxy of 'economic development', which had been embraced by capitalist states and the UN system, as the guiding principle of bureaucratic action in its colonial territory (Conroy, forthcoming). Each of these successive guiding orthodoxies had implications for the character of the bureaucratic system under which the New Guinea Chinese pursued their economic interests.

The Overseas Chinese in historical context

Chinese labour recruiters in Singapore and Hong Kong in the nineteenth century had a mental map of Southeast Asia very different from that of the colonizing powers. The charts of their imagination marked routes linking places where communities of 'Overseas Chinese' had been established for centuries. When towards the end of the century they were asked to recruit labour for the Germans colonizing the Bismarck Archipelago and Kaiser-Wilhelmsland this was no more than a marginal extension of the territory in which Chinese had historically traded and flourished. In 1596, when the first Dutch fleet landed in West Java, a community of wealthy Chinese merchants was dwelling under the protection of the Sultan of Bantam within the walls of his city, from where they financed trading voyages along the length of the Malay Archipelago. These extended east to the Raja Ampat islands of the modern Indonesian province of West Papua, over which the Javanese empire of Majapahit had claimed suzerainty from the fourteenth century. Petty independent traders, many of them Chinese, also joined these voyages. These practiced 'trade as a self-sufficient profession' (Van Leur 1955) and may be seen as historical precursors of the modern Asian informal economy (Conroy 2013a). Chinese traders carrying metal tools, cloth and ceramics

had travelled in search of *tripang* and other delicacies on the mainland of West Papua since the late seventeenth century, after the Qing dynasty restored stability in China. In the late nineteenth and early twentieth centuries, in an extension of the ancient interaction between Monsoon Asia and Melanesia, a boom in prices for bird of paradise plumes brought Chinese hunters and traders as far east as the Sepik River valley (Conroy, *Ibid.*). Conscious of this history, Matthew Spriggs cautioned Anglophone scholars against ignoring the evidence of Melanesia's 'always-open border to the west', a history that 'encompasses occasional rice agriculture, contact with Chinese and other Asian and Southeast Asian cultures, the use of iron and gold, and trade involvement over at least 2000 years with an ever-expanding world economy' (Spriggs 1998, 931; Conroy 2013a).

In the nineteenth century the Dutch established tobacco plantations in the East Indies, leading them to recruit Chinese workers to Deli, in Sumatra. When the *Neu Guinea Kompagnie* later determined upon Deli tobacco as a suitable crop for Kaiser-Wilhelmsland, it looked to recruiters in Singapore for a suitable labour force. The *Kompagnie* also obtained labourers and artisans for the Bismarck Archipelago from Hong Kong. It is a moot point whether the first Chinese trader in its New Guinea possessions was a former tobacco overseer on Kaiser-Wilhelmsland near present-day Madang in the early 1890s (Cahill 2012, 11) or the legendary Ah Tam (Lee Tam Tuck) who by turn-of-century had established a shipyard in the Bismarcks at Matupit on the outskirts of modern-day Rabaul (*Ibid.*, 21).

This discussion of the Chinese in Rabaul complements the writer's account of economic informality among the indigenous Tolai people of the Gazelle Peninsula in the hinterland of Rabaul (Conroy, *forthcoming*). Germany's quest for industrial resources required subject peoples to become producers of raw materials and consumers of imported manufactures. While such principles had operated in New Guinea from the earliest days of the *Kompagnie*, they were formalized in 1907 by Dernburg's enunciation of a German 'national-economic purpose' (Conroy *forthcoming*; 2013b). In Rabaul, after the Germans were forced to accept that Tolai could not be compelled to work as indentured labour on plantations, they tolerated their working as independent smallholders whose copra would enter supply chains to the major trading houses. In turn, Tolai earnings would be recycled to those same houses as they were persuaded to consume imported goods. The roles allotted Chinese in this colonial division of labour were as wage-workers, labourers and skilled artisans, and later as petty traders. The latter were to be linked as agents of European enterprise into copra supply chains and sent out among the Tolai to gather coconuts and processed copra in exchange for trade goods. Melanesians of New Guinea had never developed a class of specialized traders in their traditional societies (Conroy 2013b) but the Chinese, with their long tradition of 'trade as a self-sufficient profession', would demonstrate the dynamics of this alien system to them.

German capitalism, intent on industrial expansion at home, set market forces in motion in New Guinea and provided a bureaucratic framework within which its people were introduced to the international economy. Entrepreneurial Chinese came to play an important role in acculturating the indigenous people to market activity as they moved progressively from working for Germans, to trading on behalf of German companies, to independent commercial roles. Their influence was especially potent in the case of the Tolai, who had the longest, most intensive, exposure to the Chinese of any New Guineans. Engagement of Chinese in the colonial economy was largely 'informal' in relation to the norms of German bureaucracy. It was also, for two reasons, somewhat subversive of the Dernburgian ideology guiding that bureaucracy. First, the Germans found it difficult to confine Chinese, such as Ah Tam and many others, to dependent and subordinate roles. Secondly, Chinese often colluded with Tolai to frustrate German (and, later, Australian) efforts to regulate economic activity to their own advantage. The model of market economic activity demonstrated to the Tolai by Chinese traders encouraged the native people to accommodate themselves to the market in a manner unorthodox in Dernburgian terms. This was both hybrid (in the sense of retaining important elements of traditional behaviour) and informal (in the sense this term is used by Keith Hart), implying the failure to *conform* with the prescriptions of colonial bureaucracy.

From indenture, to informality, to the formal economy

Among the small number of Chinese in Rabaul at the beginning of the twentieth century, many aspired to move from indentured service, to free employment, then to independent informal commercial or artisan activity. Somewhat paradoxically, most early Chinese arrivals were recruited for *formal* economic activity, in the sense that they were legally bound by indenture under German law. However those who chose to remain in New Guinea after completing indentures were embraced in a Chinese *informal* economy operating in parallel with the colonial system, in which after acquiring some capital (either by saving or with the support of a patron) they became self-employed. Some hoped to progress, as Ah Tam had done, to larger-scale operations, although this would necessarily incur more regulatory scrutiny and require increasing degrees of formalization.

By 1907 there were no longer any Chinese under indenture (Cahill 2012, 45) and official policy had turned from further recruitment (deemed too expensive) towards acceptance of free immigration. By the end of the German era in 1914 fewer than one in seven Chinese men in the colony was a labourer (Ibid., 24). In that year a small number of Chinese firms were large enough to attract substantial regulatory attention, although as these were typically multi-activity enterprises they almost certainly retained informal elements 'under the radar'. In the broader Chinese business community mixed modes of operation, involving varying degrees of *conformity* with colonial bureaucratic requirements, were the norm. Peter Biskup gave an account of the early stages of an individual's progression which shows

the classic mode of 'hustling', with Chinese typically pursuing multiple activities to get ahead: While they worked initially for wages,

'it was trade which was the Chinaman's forte. A typical immigrant would start as a wharf labourer, save a few marks, become an 'under-trader' for one of the European firms or an established Chinaman, save more money and finally establish himself as an independent copra trader in a village or as a general trader in Rabaul [or] Herbertshöhe [Kokopo] ... Chinese traders, *whether independent or not*, usually combined commerce with other enterprises -- recruitment of labour, building, a small copra plantation, a vegetable garden, a tea-house or a hostelry' (Biskup 1970, 99-100, emphasis added).

The view that the pre-1914 Chinese population was notably entrepreneurial has been challenged by David Wu, who relied on colonial census returns to describe them as having been predominantly waged employees, with only a small minority of traders. He claimed, further, that many of this trading group were actually employees of German companies rather than independent entrepreneurs (Wu 1974, 567). This contention is difficult to sustain, however, for several reasons. Firstly, Chinese immigration at the time was typically 'circular', with many returning to Hong Kong after completing a period of indentured employment. Those who committed to longer residence in New Guinea commonly took Biskup's path to self-employment. Secondly, the pattern of activity described by Biskup for the New Guinea Chinese had earlier been described by Bauer and Yamey as occurring in colonial West Africa, where it also escaped the attention of colonial statisticians. The reality of entrepreneurial livelihoods was 'masked by the unreliability of census data', because these activities displayed 'imperfect specialization of labour' and 'occupational fluidity' (Bauer and Yamey 1957). This is evident from Biskup's description, above, in which even 'dependent' (i.e., employed) Chinese had various 'sideline' sources of income.

These characteristics, lying at the heart of informal sector activity, enable people to work in a manner 'better described as the performance of a number of different tasks than as the pursuit of a definite occupation' (Ibid.; Conroy 2012a, 21-22). This occurred on the Gazelle, where the Chinese were acculturated to trade and a semi-industrial environment, were thrifty, could turn their hands to a variety of tasks and were not averse to 'moonlighting'. Indeed, Wu witnessed this personally in the modern era: 'When I conducted fieldwork between 1971 and 1973, I witnessed many cases of wage-earning Chinese artisans or clerks joining in merchant ventures, and I believe this to be a continuing trend'. However Wu failed to apply this insight to the early history of the Chinese in Rabaul and was for that reason unable to see the extent of their entrepreneurship in that period. 'Moonlighting' was not a 'trend' among the Chinese; it was a time-honoured practice. Wu's narrative will be considered again below, in the context of his discussion of the *Hui*, an informal financing mechanism found in ancestral China and in Overseas Chinese communities.

The business of cultural frontiers

The historian Charles Rowley was not guilty of ignoring 'the always open door to the west', for he gave due weight to the importance of Melanesia's historical Chinese connections. Reviewing the long story of Chinese contact with western New Guinea, he spoke of their 'special adeptness in the business of cultural frontiers' (Rowley 1965, 56). Later, in German New Guinea, they displayed that particular 'capacity for subordinating cultural prejudices to business' which, coupled with 'a greater indifference to the demands of European law', distinguished them so clearly from the more conventional and bureaucratically-observant Europeans (Rowley 1958, 79). Such attributes were useful in the circumstances of early colonial New Guinea, where

'The introduction to Melanesia of European administration, commerce and methods of production had created a demand for both skilled and unskilled labour... There was also an increase of mercantile opportunities of a type demanding readiness to subsist on small returns and to make the most of the comparatively lawless conditions of political and cultural frontiers' (Rowley 1958, 72).

The capacity to survive on slim pickings, as a contemporary German observer remarked, enabled Chinese traders to perform as 'cultural pioneers' preparing the way for formal European enterprise by 'slowly acquainting the natives with the way of life of the foreign immigrants, and by accustoming them with trade and new needs' (Sapper 1910,107; cited by Biskup, 1970). Governor Hahl had encouraged free immigration of Chinese with such considerations in mind and, as Biskup commented, this 'fitted admirably with Hahl's policy of drawing the natives more closely into the commercial economy, on European terms'. Chinese entrepreneurs, however, were not usually minded to yield gracefully to Europeans the territories they had pioneered. The commercial contestation of such opportunities, and the very different Chinese and European approaches to exploiting them, resulted in many instances of friction. Numerous appeals to bureaucratic authority by European traders are recorded, as well as systematic efforts by authorities to weight the regulatory scales in favour of formal (that is, European) operators and against the Chinese.

Rowley observed that in plural societies 'the Chinese ... is not a very popular figure with Europeans, who are generally persuaded that he is also unpopular with natives'. Such communal myth-making inspired much scuttlebutt and, besides prompting discriminatory bureaucratic intervention, sometimes gave occasion for official hypocrisy. Thus the Chinese (seen as 'the other') could become a convenient scapegoat for abuses against native people, yet also be trusted to provide certain essential services disapproved by 'respectable' society. Yet in retrospect, Hahl concluded that

'the Chinese had proved their worth in the better jobs as artisans, cooks, overseers, ships' engineers and traders, and had become quite indispensable ... It seemed to me essential to keep them in the country as permanent residents in order to make immigration attractive to others. The great developments in mining and agriculture in Indo-China are based on Chinese and Indian migration' (Hahl 1980, 144-45).

Ruefully, Hahl recalled in later life that his immigration proposals were 'in most cases disapproved', opposed by the resident European community and rejected by a new Secretary for Colonies in Berlin (Biskup 1970, 99). In a much-quoted trope he observed that 'no-one wished to or was able to do without the Chinese, but no-one wanted to have them in the country' (Hahl 1980, 145). Charles Rowley reported the equally rueful comment of Lieutenant-Governor Hubert Murray of Papua, who complained in 1919 that the neighbouring Australian territory was disadvantaged by the application there of Australia's even more rigorous immigration restrictions (Ibid., 73). Murray was especially troubled by the shortage (and high cost) of skilled artisans in Papua, noting that in German New Guinea pay rates for Asian artisans were half those of Europeans. Rowley concluded that 'without the Chinese [German New Guinea] might have looked very much more like Papua to European investors' (Ibid., 76).

Something alluring about Chinatown

Much of the history of Chinese Rabaul may be understood through the character and activities of Ah Tam, mentioned above as a pioneer Chinese trader. His influence is particularly important for the German period, during which the Chinese stamped out a template of informal economic activity for the Tolai. Observation of Chinese behaviour contributed to a Tolai capacity to subvert or elude the designs of colonial bureaucracy, and Tolai frequently colluded with Chinese for this purpose. This will be evident in the discussion below of German (and, later, Australian) attempts to regulate economic activity on the Gazelle.

Ah Tam married an indigenous woman of Matupit village, who gave him access to peri-urban traditional land, on which he constructed his commercial enterprises. These included a trade store and a hotel. After consulting Archbishop Couppé, Governor Hahl gave Ah Tam permission to import three Japanese prostitutes for the hotel, as a 'public health measure' (Davies 2002, 68). He also had a shipyard, which flourished. By the turn of the century he 'was building so many boats that there had been a reduction in imports' and he brought in Chinese artisans for his enterprises, as well as recruiting for European employers (Rowley 1958, 74). It is likely that other Chinese patrons were active in this trade, which commenced a pattern, seen throughout Southeast Asia and the Pacific, of Chinese chain-migration arranged by community brokers.

It has been suggested that 'because of government control of immigration and supervision of conditions of employment, the evils normally associated with such "'credit-ticket" immigration' (such as adding costs to passage money or forcing new arrivals to accept employment at wages dictated by the 'creditor') did not generally occur in New Guinea (Biskup 1990,94). If so, this suggests Rabaul as a place of opportunity where Chinese men

could more readily 'buy their independence' (Cahill 2012, 22) and make their own way in the colony. In the late colonial period Christine Inglis was struck by the limited influence among the New Guinea Chinese of the 'particularist' tendencies so common in other Overseas Chinese communities (Inglis 1977). If so, early benign regulation may have contributed to the failure of clientelism to become entrenched in Chinese Rabaul.

Whether or not Ah Tam had leadership rivals, Hahl

'appears to have recognized Ah Tam as the business leader and patron of the Chinese community: and granted him a thirty year lease of 17 acres of land at Rabaul in April 1907. In return Ah Tam was to import carpenters, cooks and coolies for a capitation fee, and to bring out Chinese women. The purpose clearly enough was to stabilize the Chinese community. Chinese ... had to reside in Chinatown (on Ah Tam's lease) [and] Chinese businesses also were confined to that part of Rabaul' (Rowley 1958, 75).

Aside from these advantages, Ah Tam gained other franchises: By 1914 he had the sole license to import opium and seems also to have applied levies on gambling in Chinatown (ibid.), while between 20 and 30 Japanese prostitutes were working there (Davies, loc. cit.).

In defining the concept of informal economic activity Keith Hart distinguished between 'legitimate' and 'illegitimate' informality, with the notion of 'legitimacy' being 'derived essentially from [post-colonial] Ghana's laws ... coincid[ing] with the morality of "respectable" Ghanaians'. 'Illegitimate' activities were concentrated in Nima, a district of Accra which was 'notorious for its lack of respectability ... and for the provision of those goods and services usually associated with any major city's "red-light district"' (Hart 1973, 74; Conroy 2012a). German Rabaul, though no city, had the necessary elements for such a division of labour. Its society was stratified by race and the town was zoned in ethnic quarters. Respectability resided in those well-ordered streets where dwelt the small population of colonial officials, professionals and managers of the plantation and trading companies whose regulations and bureaucratic culture set standards for economic activity, and much else besides (Conroy, forthcoming). Hahl's toleration of activities which were no doubt illegal in formal terms and his decision to quarantine them in Rabaul's small, chaotic and squalid Chinatown was simple pragmatism, with notions of 'legitimacy' or legality honoured in the breach.

It would give an unbalanced impression of Chinatown to ignore the many 'legitimate', albeit still informal, business activities conducted there, and these will be detailed below. Suffice to say that, just as in the case of Hart's Nima, Chinatown was a substantial supplier of legitimate goods and services to 'respectable' households (Conroy 2012a, 6). Nonetheless, visitors from the European town 'doing the block' viewed it with a mixture of curiosity and prurience. As Lyng put it, writing soon after the Australian takeover, it was 'in some respects [the] most interesting place in New Britain'. Indeed, 'there is something alluring about Chinatown' which was 'characteristic, busy and wicked'. It was 'vice' which made this 'little East-Asiatic village' most alluring; there were found (127) 'treacherous Eves from the land of

the chrysanthemum', places offering beer 'on the quiet', while from a 'secret distillery' a 'vile Chinese spirit' was available. In German times a gambling den was open 24 hours; now gambling was available more discreetly and 'the depraved desire for opium' was still satisfied by 'enterprising Chinese'. In short, 'every vice is catered for' (Lyng n.d.,125-27).

The Rabaul native market (the *Bung*) was located adjacent to Chinatown, reproducing a marketplace symbiosis found in towns throughout the Pacific. Indeed Chinatown and the marketplace were the primary urban focus of a system of rural-urban relations which the Tolai constructed for themselves during the colonial period. Chinatown itself was the locus of *urban* informal economic activity, while the *Bung* was the primary outlet for produce marketed by a growing Tolai *rural* informal economy. Chinese were significant patrons of the *bung* while Tolai vendors, acting as what Scarlett Epstein (1982) called 'producer-sellers', spent much of their earnings in the nearby stores³. Chinese and Europeans had introduced Tolai to a range of exotic vegetables and both communities purchased these from Tolai in the market, while many Tolai and other indigenes bought native foods there.

The *Bung* was a point of intersection between two rival currencies, the German mark and Tolai shell money (known as *tambu*) both of which were used for market transactions. In what the anthropologist Richard Salisbury described as a 'currency war', the Germans had attempted to enforce the use of the mark for particular transactions at the heart of the Dernburgian design. These were the purchase of Tolai copra and the recycling of Tolai copra incomes through trade stores (Salisbury 1970; Conroy, forthcoming). While ultimately the *Reich* prevailed, in the sense that Tolai eventually accepted the degree of formalization in trade requiring the use of the official currency, Chinese copra traders and store owners for many years subverted this policy by trading with Tolai in *tambu*. For example, from about 1900 Ah Tam accepted *tambu* from Tolai when they came to his shipyard to buy planked boats, and he channelled this shell money into other dealings with Tolai, including the purchase of copra (to the frustration of European traders who found *tambu* difficult to acquire).

Ah Tam died while visiting Hong Kong in 1932. Peter Cahill, chronicler of Chinese Rabaul, regarded him as probably the most important ('and certainly the wealthiest') Chinese in the town. Pioneer of Chinese recruitment and the wholesale trade, 'dominant' landlord, founder of the *Hakka* Association and 'probably' an Elder of the *Yee Hing* society⁴ (Cahill 2012), he will appear again in this narrative. Charles Rowley observed of the New Guinea Chinese that their community 'produces very wealthy citizens without forsaking its own cultural standards. The Chinese is not in fact encouraged by the Europeans to think of himself as a citizen of a wider community than that of Chinatown'. Even in 1958 when Chinese Rabaul was close to the apogee of its success, he asserted that 'the frontiers of the Chinatown in Rabaul are as evident as ever they were' (Rowley 1958,79-80). Originally, racial

³ A future paper, to be set in the context of urban produce markets in PNG, will consider the significance of Rabaul market for an understanding of modern Tolai economic informality.

⁴ Around this time in Australia the *Yee Hing* were known as 'Chinese Freemasons' (Bagnall, 2014).

discrimination and the attempt to impose a particular, limited, economic role upon the Chinese lay behind their centralized location. No doubt inertia played some part in keeping them there, but economies of agglomeration were probably more important. There were good reasons for Chinatown to maintain its importance, so long as Rabaul retained its position as the economic capital of Chinese New Guinea.

The rise of 'legitimate' Chinese business

Successive Annual Reports of the colony suggest something of the growth of Chinese business. Data reported by Biskup (1970, 100) reflect increases in activity, but also improved bureaucratic coverage made necessary by imposition of a 'business tax' in 1905. Considering the simplest indicator, a head count of enterprises, the year 1908 saw 48 entities in German New Guinea, only four of them Chinese. By 1911, when the Chinese population for the first time outnumbered Europeans (Rowley 1958, 76), 36 of 81 concerns enumerated were Chinese. Among 334 entities which paid business tax in 1912, no fewer than 207 were Chinese and, suggesting the economic importance of the Gazelle, 120 of these were in Rabaul and 15 in Herbertshöhe. The bare numbers are misleading to the extent they do not distinguish German conglomerates with trading, planting and shipping interests from the typically small Chinese workshop or trade store. Similarly, the data must have lumped together entities ranging from those highly formal in terms of management, accounting and technology, with others quite rudimentary and informal in character, enumerated simply because they failed to escape attention. We might expect many firms at that end of the spectrum to be Chinese, although there were difficulties in assessing them. As an official quoted by Biskup lamented in 1913, '[t]he Chinese make palpably untrue statements [in their tax returns] which makes it virtually impossible to control their businesses'. No doubt language difficulties, and a paucity of records -- characteristic of informal business -- also contributed to this situation. Some Chinese paid substantial tax bills, however, while others were doing better than the group suffering most keenly from Chinese competition, the small, independent European planter-traders. Summarizing the 1912 records, Biskup reported that

'small businesses paid an annual tax ranging from 40 to 150DM; large enterprises paid 2,000-4,000DM annually, and those in between, 200-1,200DM. The smallest of the large European firms, O. Mouton and Co., had been assessed at 2,000DM; a good many European planter-traders had been assessed at 100DM or less. By contrast, 13 Chinese in the Rabaul district had been assessed at between 100-120DM, 10 at 150DM, two at 400DM and one at 600DM' (Ibid., 101).

On this evidence Biskup concluded 'there is little doubt that the gap between the large European firms and the large Chinese establishments was gradually narrowing' (Ibid., 101). Cahill was more expansive, declaring that by 1914, 'Governor Hahl's scheme of supporting

free Chinese immigration had soured, and instead of them forming a middle layer between the colonial hierarchy and natives there was a very real danger they would dominate the entire commercial sector' (Cahill 2012, 51). But this is surely an overstatement, on two counts. On the factual evidence above, economic 'dominance' was a distant prospect, while Chinese immigration had not 'soured' for Hahl (whatever about the discontents of the European commercial class). The Chinese had an important role in his plans for German New Guinea, which the abrupt end of German rule in 1914 brought to nought. In the face of fiscal pressure from Berlin he had come to the conclusion that 'the entrepreneurship of the Chinese would make German New Guinea self-supporting' (Ohff 2008,198). Ohff asserted that Hahl 'almost succeeded in persuading the government to give the Chinese equal status as the Europeans, a privilege the Japanese in German New Guinea had from the outset'. But Hahl did not succeed, and we cannot know whether he would ever have overcome local opposition and Berlin's reservations.

At the Australian takeover, the legal status of resident Chinese was as 'non-indigenous natives', reflecting 'the semi-colonial status of China itself' as well as German prejudice against them (Rowley 1958, 74). The 'quasi-European' status of Japanese reflected the clout of their home government. Rowley commented that Chinese progress in business had probably made their situation increasingly anomalous, and it is tempting to imagine the creation of the Republic of China in 1912 also influenced official perceptions. Pragmatism, however, rather than diplomacy, appears to have inspired the improvement in Chinese civil status (for reasons to be discussed below). This occurred in 1915 under the newly-installed Australian military government, which decreed that Chinese were to be accorded 'status and jurisdiction separate and distinct from the status and jurisdiction respectively occupied and enjoyed by the indigenous Natives of the Colony' (cited by Biskup 1970, 107). An important consideration flowing from this decision, which probably increased the momentum towards formalizing Chinese business activities, was identified by Rowley. He suggested their new status may have assisted them in making and enforcing contracts with Europeans (Ibid.,81), for whereas previously they were subject to the same low-level legal forum as native New Guineans, their matters were now determined in Rabaul Central Court.

With each successive Annual Report there was more evidence of population growth and family formation among the Chinese and, by 1914, Rabaul Chinatown had grown into a busy centre with over a thousand people. 'Of 1377 Chinese in [German New Guinea] 583 were artisans and 172 reported to be in business' (Rowley 1958, 76-7). But despite this suggestion of progress and the success of some families, most Chinese business continued to be small and informal, with copra at the centre of their economy. 'By 1914 the Chinese formed a high proportion of those who travelled in the copra trade and staffed the trading outposts. They were also successful labour recruiters, and some combined both activities ... Perhaps he was better adapted for this sort of work than the European, in conditions where law and order were comparative' (Ibid.,79). Outside Rabaul, Chinese patience and grasp of local psychology often proved decisive, for 'competition for native custom was never-ending.

Success would depend on something as simple as a trader's personality (offering free *kapti* (cups of tea), cigarettes and, increasingly, illegal spirits), or providing a lift in a truck to another village' (Cahill 2012,88). These were favours which European traders did not offer.

Playing a catalytic role in the villages, and with close links to Chinese enterprise in Rabaul, such traders contributed to the emergence of an integrated rural-urban economic system on the Gazelle Peninsula. The small scale and informality of their operations are suggested by the observations of Lyng, soon after the Great War:

'The small European trader, during the latter years, has practically been squeezed out of existence by John Chinaman. One needs only drive a few miles out of Rabaul, and he will, in less than an hour, pass a dozen Chinese traders, living mostly in miserable huts put up by themselves, but always with some trays of copra drying in the sun, and generally surrounded by an interested group of natives. His stock of Kanaka merchandise occupies but a couple of shelves, yet he makes money. The native will not go two miles to a white trader when he can sell his coconuts to a Chinaman living but a stone's throw off, and, besides, John Chinaman may pay him a trifle better' (Ibid.,57).

Before the Great War, Chinese business had been 'hamstrung' because wholesale trade and trade financing were controlled by European institutions. Biskup (1970, 101) commented that the Chinese 'made up for this by specializing in such activities as building or tertiary services for which there were not enough Europeans or trained natives'. They were largely confined to occupying interstitial gaps in the formal European economy (by 1910, for example, the repair and maintenance of engines, mainly marine, 'were entirely in the hands of the Chinese') (Cahill 2012, 24). No doubt their inferior legal status had limited their capacity to access formal finance. Unlike Overseas Chinese elsewhere they were never able to establish their own formal financial institutions (Wu 1974) and it is highly likely that the Rabaul Chinese, as in Chinese communities around the world, resorted to *hui* arrangements to pool community financial resources for capital investment. *Hui* is a form of informal RoSCA (rotating savings and credit association) whose operation in Rabaul at a later period was studied by Wu (Ibid.). Wu did not suggest when *hui* came to the Gazelle or whether it operated in the German period, but it is difficult to imagine it not operating from the early days of Chinese settlement.

For financing international transactions during the German period, leading merchants such as Ah Tam were able to enter into trust-based arrangements ('relational contracting') with Chinese counterparts in Hong Kong and Singapore, as well as other German Pacific possessions. Such informal mechanisms were based on kinship or personal relationships and although not subject to legal recourse they generally sufficed to cover counterparty risk. This still left them unable to contract with off-shore European firms, including those based in Australia which even before the war were major suppliers to the big European houses in Rabaul, as well as importers of copra. However during the occupation, from 1914, Ah Tam was able to move into wholesaling, as did a number of other Chinese family enterprises. This became possible because certain Australian firms (including the politically well-

connected Burns, Philp & Co., which had hastened to establish itself soon after the occupation commenced) saw the opportunity to deal directly with leading Chinese businessmen. This situation secured direct access for Chinese firms to overseas markets for copra, and to major suppliers of consumer goods (Rowley 1958, 82). Rowley (1965) concluded that the ambiguous situation of German firms, which continued to trade during the war period, together with Chinese acquisition of quasi-European legal status (albeit they were still 'aliens'), enabled the latter to break into the import-export trade. That debts of Chinese firms could now be litigated in the Central Court increased the comfort of formal, corporate, business in dealing with them.

At the end of a war which had been very good for Chinese traders, 'they were well established in independent business', while in the post-war period, 'their tact with New Guinea customers brought an increasing hold on the copra trade with villages, and on retail business' (Rowley 1965, 193-4). Evidence of their rising status came with the census of 1921, which showed them as now more numerous than the Germans and 'British' combined (Chinese having been unable to return to China in the meantime, interrupting the customary pattern of circular migration). The census also revealed an upward shift in Chinese occupational status. Now there were some 'professionals', a larger proportion in commercial enterprise, and in manufacturing and building, and some plantation lessees. 'The changed pattern of occupation reflected new opportunities', to which their change of legal status had contributed. Further, their inability to take money back to China during the war had encouraged re-investment locally (Rowley 1958, 77-78), committing many to long-term residence.

After 1920 protectionist provisions of the Australian Navigation Act were applied to the Mandated Territory. Freight costs increased, reducing returns to copra growers. This coincided with a post-war slump in prices and a period of disrupted production on German-owned plantations as these were being expropriated. After protests the amendments to the Act were repealed in 1925, but in the interim Australian carriers (principally Burns, Philp) had become entrenched. Meanwhile regulation of copra buying and trade store operations to favour European interests had intensified, penalizing Chinese and Tolai alike (Salisbury 1970, 124). Some Chinese were more fortunate, however. Cahill relates how, while they were prevented from tendering for expropriated German plantations, 'what was overlooked in the scramble ... was that Chinese would be keenly interested in the trading stations attached to plantations. In many cases these were more profitable than the struggling plantation ... and allowed the operator to buy village copra as well as sell trade items to villagers and plantation labourers' (Cahill 1996, 80). European planters who leased their trade stores to Chinese came to rue the day. Caught in a price/cost squeeze during the Great Depression, many small planters were bankrupted, their properties foreclosed by Australian conglomerates holding their debt. Cahill suggested that Chinese entrepreneurs

fared better during this period because they had access to informal 'club loans'; this appears to be a reference to the *hui* (Cahill 2012, 120). The depression years had also been a period of economic stasis for the Tolai (Conroy, forthcoming) but prospects for all communities improved as copra prices rose after 1935.

For the 1930s, data collected under the *Companies Ordinance 1933* (Cahill 2012, 137) show four main Chinese building companies in operation. Between them, these won most Government tenders for public buildings in the period. A volcanic eruption which damaged Rabaul in 1937 caused economic loss to many Chinese enterprises, but the subsequent re-building boom benefited Chinese construction firms and required the importation of additional Chinese artisans (Cahill 1996, 83). The *Pacific Islands Year Book 1944* (relying on information collected before the Japanese invasion) listed a number of the principal Chinese trading houses, in addition to which Cahill noted 'twenty-two traders on Malaguna Road in Rabaul, fifty-one in Chinatown and five merchants and two traders in Kokopo. They were mainly merchants but included a contractor, planters, laundry, baker, motor car proprietor, shoemaker, photographer, soft drink manufacturer, restaurant owner ...' In addition, many young Chinese educated in Rabaul (and some in Australia) were employed in European firms in skilled and semi-skilled occupations. But some less-educated or older Chinese still worked as market gardeners or water- and wood-sellers, operating door to door in the town (Cahill 2012, 137-8). The spectrum of activities included incorporated construction companies, diversified wholesale traders, a vigorous retail sector (with a range of services) but still including informal agriculture and services. Outside the town, Chinese traders continued to buy copra from Tolai and to supply 'incentive goods' to them.

Hahl had envisaged the Chinese as performing a useful function as the 'middle layer' between Europeans and natives. Rowley believed this vision had been fulfilled, concluding that their economic success 'conformed to a fairly common pattern of the Chinese as an intermediate layer in the colonial economy' (1958, 76). By contrast, writing soon after the Pacific War, WEH Stanner declared flatly that 'there was no "intermediate" race, such as the Indians in Fiji. The small number of Chinese in the Mandated Territory (in 1939 about 2,000) had only minor commercial importance, and almost no social or political influence' (Stanner 1953, 14). But the analogy with Fiji (where Indians came to form almost half the total population) was surely misplaced. It was not a question of relative numbers, or of degrees of social or political influence, but of catalytic effect in the emergence and spread of a market economy. To underestimate Chinese *economic* influence is to overlook their function as sinews tying Tolai into the market economy of the Gazelle. This status was cemented during the inter-war period.

War, reconstruction, apotheosis and decline

The late 1930s had been a period of economic recovery on the Gazelle. This was interrupted abruptly in January 1942 when the Pacific war came to Rabaul. Japanese invasion converted the Gazelle into a vast military base, the Australian population and Administration having essentially abandoned the Tolai, and most of the Chinese, to their fate. Military occupation caused the people, Chinese as well as Tolai, much suffering and loss of life as Allied bombing inflicted enormous damage on the town, infrastructure and plantations. As Allied forces struck back, suffering among the civilian population was multiplied as a Japanese garrison was trapped on the Gazelle until the surrender in August 1945. Returning Australians found old German Rabaul substantially vanished; as late as 1950 the town was described as 'a depressing dusty sprawl of salvage yards, Japanese-built air-raid shelters, black-iron sheds and paper-walled houses (Fenbury 1978, 49).

Immediately after the war, as in 1914, some Chinese became peddlers to the occupation military camps, offering war souvenirs and trinkets fashioned from scrap metal and Japanese memorabilia. Chinese construction companies regrouped and rebuilding commenced in the Chinese quarter, while contracts were let for reconstruction in the town proper. Chinese traders and artisans struggled to recommence operations. Recapitalization was assisted by payment of official compensation for war damage although (unsurprisingly, given the informal and opaque character of their enterprises) many Chinese had difficulty documenting their losses (Cahill 2012). Tolai also received substantial payments and their spending in trade stores assisted Chinese economic recovery greatly. Cahill described the 1950s as boom years for Chinese traders, with Tolai keen to 'cut copra' or gather nuts for sale. A report in *Pacific Island Monthly* in 1953 described a rebound of Chinese economic strength and, rather than crediting hard work and thrift, saw in this a threat. Echoing the insecurity felt by small European storekeepers and copra traders before the Great War, the *Monthly* claimed that the Chinese 'own huge capital. As a result, they are now reaching out constantly after properties developed by Europeans, and their readiness to pay high prices, in prompt cash, when chances have occurred in very recent years, has caused perturbation among Europeans' (cited by Wu 1974, 567).

Scuttlebutt indicated 'Red China' as the source of this capital but, more plausibly, Wu pointed to compensation payments and the informal *hui* mechanism as the means of mobilizing savings for investment. Wu asserted that even in the early 1970s only some Chinese merchants dealt with banks, and only for transactions, while the first bank loan to a Chinese occurred only in the 1950s (Ibid., 571). By contrast, Christine Inglis suggested from survey data that by 1973 all her respondents used banks, and had obtained bank credit where possible 'at least for the past 25 years' (i.e., from about 1958) (Inglis 1977, 249-50). This date coincided with Chinese admission to Australian citizenship, perhaps making the denial of formal credit to them by Australian banks increasingly anomalous. Again, the resort of Chinese entrepreneurs to professional accounting services, stimulated by the introduction of an income tax in 1959, no doubt gave greater comfort to bank managers. As

further evidence of the growing formalization of much Chinese business, Inglis reported their increasing reliance on formal agreements and other legal documentation in the post-war period, in matters such as leasing or purchase of property (including, from the 1950s, in Australia) and the acquisition of businesses. European accounting firms were valued by larger enterprises for their advisory services and a number of these had incorporated as 'exempt proprietary companies', with limits on membership and relaxed reporting obligations. Only two such companies had non-Chinese shareholders, however (Ibid., 206).

Nonetheless, the continuing importance of informality in Chinese operations in the post-war period is suggested by Wu's story concerning the owner-manager of one of the largest wholesalers, which traced its history back to the 1920s. Even in 1952, this man

'had no knowledge of systems of modern bookkeeping, debt collecting, shipping and insurance arrangements ... When [he] had trouble collecting debts owed him by Chinese retailers [in] Solomon Islands, New Ireland, and New Britain ... he hired a white man ... to help him to sort out the accounts. The clerk was surprised to find out that the firm carried on an importing business, the annual turnover of which amounted to A£80,000 in 1952, but that the owner-manager had no knowledge of the revolving credit system and other facilities available from a bank, for the firm had always done business on a cash basis' (Wu 1974,571).

This enterprise and others like it must have been pressed, for survival's sake, to adapt to the changing circumstances of the 1950s. Despite this, on the eve of self-government in 1973 the Chinese business community in Rabaul remained quite heterogeneous. For example, in the retail sector, 'stores range from those operated by elderly ladies, carrying a restricted inventory of basic goods obtained entirely from local Chinese suppliers to large specialist retailers and wholesalers who import direct from Australia and other countries' (Ibid., 317). In terms of numbers of Chinese establishments, the sector was 'dominated by a number of small trade stores and craft businesses which have only indigenous staff'. Such stores 'lack any form of stock control or check on cash takings, which are often simply put in into an old tin behind the counter'(Ibid., 138)⁵. Such anecdotal material suggests a continuing strand of informality in some Chinese enterprises. Some larger retail stores continued to exhibit Bauer's 'imperfect specialization'; a revolving cast of family members and part-time employees took time from other occupations to work 'after hours' (Ibid., 142ff). Women, fulfilling community expectations as 'the "right type" of wife', sewed and cooked for stores and supervised their operations (Ibid., 319). In some smaller business with two owners Bauer's 'occupational fluidity' occurred. These were obliged to engage in various 'side-businesses' because the firm could not achieve the necessary scale to support both proprietors (Ibid., 162).

⁵ In the 1970s the writer visited a Highlands tradestore whose indigenous owner combined stock control and cash management by the simple expedient of placing cash received in the shelf space vacated by the item sold.

The most telling indicator of continuing informality in Chinese business was the widespread participation of proprietors, along with aspiring entrepreneurs, in the *hui*. This operated as a parallel and unregulated financial system, with membership including numerous persons with access to formal credit facilities, whose enterprises otherwise exhibited the hallmarks of formality. The importance of the mechanism is shown by Inglis' observation that in Rabaul at the end of 1971 there were 14 *hui*, each with from 30 to 36 members, operating in a town with only about 180 Chinese businesses, so that 'the whole community serves as a general pool for recruitment' (Ibid., 263). She reported that, due to the frequent occurrence among Rabaul wholesalers of mismatch between their payables and receivables, they were prominent among *hui* organizers. The declaration of *hui*-related income or expenses in some personal tax returns (Ibid., 238 n6) marked a degree of enumeration, hence formalization, while some organizers made explicit attempts at private regulation by circulating printed rule books and issuing receipts for periodic contributions (Ibid., 238 n6). Inglis remarked, however, that 'neither these nor the verbal contracts entered into have ever had their legal status tested in a [PNG] court, so most participants regard the *hui* as without legal status (alegal)'. Some non-participants went further, describing the *hui* as 'risky' and as having 'no legal basis and only informal security' (Ibid., 259). Inglis rejected the notion that *hui* membership was based on particularist associations and she was sceptical of any suggestion that the integrity of *hui* finances depended on levels of trust derived from such associations. Rather, the existence of 'a network of gossip' in a small community exerted pressure, both to ensure participants were well-informed about other *hui* members and also to give 'visibility' to their behaviour. This last was 'probably the most important factor in social control in the *hui*' (Ibid., 266).

After Chinese became eligible for Australian citizenship from 1957, they were 'allowed to move freely to the New Guinea mainland and to immigrate to Papua for the first time in history'. Wu relates how the Rabaul Chinese began 'a large-scale migration' to Lae, Madang and Wewak and 'most conspicuously' to Port Moresby, which was growing rapidly due to centralization there of the colonial bureaucracy and infusions of Australian development assistance. Back home, although 'many Rabaul Chinese artisans took over the old stores left by emigrants or set up new stores' (Ibid., 568-69), old Chinese Rabaul had probably reached its commercial apogee by the end of the 1950s. After this point it declined quickly in relative terms. In 1972, on the eve of self-government, Wu counted some 470 Chinese businesses, of which 150 remained in Rabaul, but with almost 140 in mainland New Guinea and some 120 in Papua (Ibid., tab.3) . This included Port Moresby, which had only a handful of Chinese residents before the Pacific War.

National census data for 1971 put the population of Chinese at some 3000, with a further 500-600 of mixed Chinese descent. By this time an exodus to Australia was underway, caused by apprehension at the approach of Independence. Rabaul remained the largest centre of Chinese population although the total had declined to fewer than 900, while in Port Moresby there were some 620 Chinese and more than 400 in Lae (Wu 1982, Ch.1,

passim). Chinese fear and uncertainty had dramatic consequences in 1972, when one *hui* in Rabaul collapsed and a run on others threatened. Only community cohesion enabled losses to be contained and face saved (Ibid., 581-2). After that no more *hui* were organized anywhere in PNG (Inglis 1977, 273). By 1980 Rabaul had fewer than 300 Chinese residents, the others having 'taken the course of exodus' (Ibid., 156).

We may accept Wu's evidence of an efflorescence of Chinese business in Rabaul in the 1950s, its rapid spread to new centres and the decline of Chinese Rabaul, without having to accept his assertion (dismissed above) that the Chinese were less entrepreneurial in earlier periods. He contended that across PNG 'the enormous increase in the number of the Chinese commercial enterprises (especially retail and wholesale stores) and their expansion in size and complexity did not begin until the 1950s, especially after 1958' (Wu 1974, 568). But this situation had historical precedent, in the fillip given to Chinese business by the improvement in their civil status in 1915. Wu failed, also, to appreciate an influence absent in the inter-war period: the stimulus to economic activity after 1945, especially in Port Moresby, due to greatly increased government expenditures. The post-war expansion of Chinese business should be credited with this stimulus, resulting from the new Australian commitment to economic development. The *hui* mechanism, which had always operated among the Chinese, was merely instrumental in this expansion. If it were true in the 1950s that *hui* permitted 'a pooling of the capital resources of the entire Chinese community so that they were able to join the merchants' ventures' (Ibid., 571), this was also true (if on a more modest scale) in earlier periods.

Wu's reference to the increasing size and complexity of Chinese business reflected its growing formalization, though as we have seen the process was far from complete in Rabaul at Independence, given the continuing importance of family management, the ongoing activity of an older generation of proprietors, and the incentives for many Chinese to maintain a degree of opacity in their business dealings. In any case, the more dynamic 'formalizing' enterprises were those best equipped to move out of Rabaul. However it is less important, for the purposes of this study, to chart the growth of formality than to understand that, until after Independence, significant Chinese informal economic activity continued on the Gazelle. A relatively new business, cocoa buying and processing, occupied many Chinese in the late colonial period and much of this was conducted on an informal basis. These activities were implicated in the failure of a major Australian government development initiative, the Tolai Cocoa Project. This was intended to formalize the Tolai cocoa industry but it was undermined (*inter alia*) by collusive informal trading between Chinese and politically-dissident Tolai growers (Conroy, forthcoming). After the Project closed in 1971 the only cocoa fermentaries operating independently on the Gazelle were Chinese, and their owners had close family connections. The potential for price-fixing among these might seem the opportunity for a case study of particularism at work. However the freewheeling character of Chinese Rabaul asserted itself; relations between major players were not good and price competition in cocoa buying remained strong (Inglis 1977, 385).

Bureaucracy, regulation and discrimination: tightening the fetters

This penultimate section presents a systematic account of Chinese experience of bureaucratic regulation during the colonial period. Under German and Australian administrators the primary goal of much regulatory effort was to formalize (and thereby to contain) burgeoning Chinese economic activity. Intended to advantage European commercial interests, such regulation was essentially anti-competitive, and was the subject of much lobbying by vested interests during the colonial period. Tolai were affected by these processes insofar as many colluded with Chinese traders to avoid mutually-irksome bureaucratic constraints. Regulatory measures impacting the Chinese were directed to numerous areas of commercial life, including the copra trade, retailing, land tenure, business practices (including bribery), licensing, taxation, and their residential/ legal status. While Chinese (as other colonists) were guilty of abuses requiring regulatory intervention, such initiatives sometimes served as a pretext to exclude them from trading with Tolai and often had negative consequences for both groups.

Some of the earliest cases concerned activities of copra traders, many of them Chinese, who purchased dry coconuts or cured copra from Tolai. The terms of trade so favoured Tolai at the turn of the century that they were able to insist on payment in *tambu*, their traditional shell money, causing it to appreciate dramatically against the German mark. In response, the Administration initiated the 'currency war' mentioned above, with an ordinance in 1901 forbidding the use of *tambu* in trade with Europeans. The measure was not wholly successful; *tambu* continued to change hands in covert, that is, *informal*, trade conducted mainly with Chinese, although the value of the mark did recover over time as more copra was traded for cash (Conroy, forthcoming). Salisbury commented that the Germans won the 'war', 'but only at the cost of repressive political action' (Salisbury 1970, 285). A related source of friction emerged soon after 1900, concerning the processing of copra. Cahill (2012, 44) recounted how 'strong competition encouraged sharp business practices and complaints grew about the poor quality of hurriedly-dried "trade" copra'. Chinese were often willing to buy poorly-cured copra and to 're-cure' it for resale, which gave them an edge in trading with Tolai. Such complaints were, in part at least, an attempt by trading companies to channel all purchases of copra through their stores, by having quality standards embodied in regulation. This attempt failed, however, as the Chinese were able to find other buyers.

An ordinance in 1903 imposed a licensing requirement for traders in copra and other natural resource products. This forced unlicensed Chinese traders further out into 'uncontrolled' territory. Cahill commented that Government did not or could not enforce the regulation; it was complacent at the resulting loss of Chinese lives, while enjoying the economic benefits (ibid.). Meanwhile the issue of processing standards continued to simmer. European commercial interests lobbied in 1906 for the Chinese to be required to have contracts with

registered European firms (ostensibly for purposes of quality control, although this would also have tied Chinese hands in negotiations on both the supply and demand sides). These pleadings failed. Cahill commented that the trade was so profitable for Chinese that 'by 1907 ... most Chinese were in some way connected with the copra trade' (Ibid.,44-45).

Other Chinese trading practices incurred disapproval. Cahill recorded that they 'were always willing to advance credit against future copra production and many Tolai villagers became involved in some sort of credit arrangement', whereas the trading companies and European independents did not advance credit (Ibid.). An ordinance of 1909, which Cahill described as clearly directed against the Chinese, attempted to regulate such lending but it was largely a matter of form. In practice such arrangements, which suited both sides, continued beyond the ken of authorities. Another ordinance in 1910 prohibited the supply of alcohol to natives as an inducement to supply copra (a charge often levelled against the Chinese). This also failed because of enforcement difficulties outside the town limits. In Rabaul itself, European traders fretted over Chinese competition. They 'complained that Chinese stores remained open long after the Europeans had closed theirs' and that Chinese paid too much for copra (Biskup 1970, 99). Eventually, under the Australian occupation, a regulation (Closing of Stores Order 1917) was imposed to limit the trading hours of Chinese stores. But by then the Chinese 'monopolized trade store operations in and around Rabaul' (Cahill 2012, 81).

It appears that by 1917 the Australian Administrator, Pethebridge, had decided to curb Chinese business; Charles Rowley concluded the intention was to 'fatten' German firms ahead of their expropriation. Such a strategy was challenged by the growth of Chinese business, although the danger lay more in the trend than the magnitude (Rowley 1958, 82-83). This may be seen as the assertion of an Australian 'national-economic purpose' in which 'the practice during most of the Mandate period [from 1921] was at least as heavily weighted in the interests of profit-seekers as it had been in German times' (Rowley 1965, 91). Those 'profit-seekers' would be Australian ex-servicemen taking up expropriated plantations and, especially, Australian corporates whose grip on the Mandate economy would tighten as private planters went to the wall. In the meantime, in 1917, Pethebridge issued an Order on Trading in Coconuts and Copra in the Gazelle Peninsula whose effect was to protect German firms from the competition of small traders. Rowley concluded that 'the traders who were going into the territories of established businesses, or paying more in trade goods for copra ... were almost certainly Chinese who were being supplied with trade goods by Chinese firms which had their own Chinese connections'. This Order was said to have been ineffective because Chinese modes of trading were more congenial to the Tolai (Cahill 2012, 88). Another measure, the Control of Chinese Trade Order 1917, was designed to block Chinese, such as Ah Tam, breaking into wholesale trade. This was quickly withdrawn because of protests from other Australian commercial interests, although the copra trading order continued for another 12 months (Rowley 1958,82-83).

The year 1920 was an active one for fetter-tightening. A Non-Indigenous Persons (amendment) Ordinance prevented new Chinese immigrants establishing themselves in the copra trade; a Sale and Disposition of Copra Ordinance allowed sales to take place only in designated places; a Trading Stations Leases Ordinance created local monopolies in trade goods and copra-buying for planters (or for those Chinese with the foresight to have sub-leased earlier). Finally, in an echo of the earlier 'currency war', a Currency and Coinage Ordinance assured only natives could use German currency (which both Tolai and Chinese hoarded), reducing trading options open to the latter. These measures must have forced Chinese traders into ingenious and surreptitious modes of dealing, for they failed to break Chinese dominance of direct copra trade with Tolai.

Authorities turned their attention to increasing the colony's tax yield and gave particular priority to raising revenue from the Chinese. In 1905 Hahl increased import taxes and imposed export taxes on copra and other natural resource products handled by them. Such imposts, calculated at the wharf, are efficient in the sense that transactions are simpler for authorities to trace and measure. Hahl also attempted to replace the income tax (especially problematic when dealing with enterprises lacking formal accounting systems) with a graduated tax calculated on business turnover and other more observable criteria (Cahill 2012, 49). A business register was established in 1912 to assist authorities to assess tax liability but (as our previous discussion of tax returns for that year suggested) the difficulty of extracting accurate information from Chinese entrepreneurs continued to vex officials. Cahill noted that from 1916 the Australians found it necessary to place greater reliance on more easily collected indirect taxes (Ibid.,50), which Rowley concluded were 'applied specially to growing Chinese businesses' (Rowley 1958, 68). Wu's anecdote, concerning the substantial Chinese entrepreneur who as late as 1952 lacked any semblance of a modern Western accounting system, underlines the problem. No doubt this combination of artful opacity and retentive memory derived from ancestral experience of the rapacity of officials in the Middle Kingdom.

From taxation it is only ever a short step to bribery. Pethebridge (as Rowley explained) 'found it necessary to take special precautions against bribery of his officials, particularly by members of the Asian community. In November 1915 he issued an ordinance giving to "Chinese, Malays and other coloured races except the indigenous natives of the colony" a status and jurisdiction separate from those of the natives. The real purpose of this was to bring them within the jurisdiction of the Central Court ... apparently to deal with bribery cases' (Ibid., 25).

This places an altogether different construction on the matter of Chinese legal status, which was discussed above in terms of benefits flowing to Chinese from their elevation to 'quasi-European' standing. Although those benefits were genuine, it is ironic they followed from a decision to make Chinese more accountable for offenses committed in collusion with European officials (and possibly to avoid the indignity of those same officials having to appear before the 'native' court). The problem of bribery was not easily solved; as late as

1920 the Government Gazette warned of penalties applicable to 'the practice prevalent among Chinese of attempting to give bribes to officials in return for services' (Ibid.).

Improved legal status may have contributed to a gradual formalization of Chinese business activities. However Rowley commented that, notwithstanding benefits such as the ability to enforce contracts with European entities in the Central Court, 'the basic insecurity of [Chinese] business remained [since] European status before the law was no guarantee of future citizenship' (Ibid., 83). Neither were Chinese able to purchase land, for they were effectively blocked by 'Principles of the Transfer of Land' circulated in 1912 and 1914. Although not discriminatory *per se*, these were administered in discriminatory fashion (Cahill 2012, 51). Some Chinese had relatively short-term leasehold rights to plantations on Government land, but had they been able to obtain freehold title or long-term leasehold they could have offered this as security for formal bank credit. Wu claimed that Chinese did not borrow from banks before the 1950s, but some bankers might have been willing to extend credit much earlier. After the First War, Lyng (n.d.,69) observed that certain Chinese traders had 'since the establishment in Rabaul of a branch of the Commonwealth Bank ... commenced to emancipate themselves from the controlling influence of the European firms'. Whatever about the reliability of this information, it is possible that more secure access to land would have improved Chinese 'bankability'. Instead discrimination in access to land served to increase Chinese disadvantage *vis-a-vis* formal European business.

After the Pacific war the newly-united Territory of Papua and New Guinea entered an era in which bureaucratic activity was to be guided by a new ideology, the idea of purposive 'economic development'. This was adopted by capitalist states confronting anti-colonial movements around the globe and Australia 'signed on' to this new international orthodoxy very early in the post-war period, influenced by wartime events and the heady experience of participating in the post-war birth of the UN system (Conroy, forthcoming). The Chinese community prospered under this new dispensation, being more free to exercise its entrepreneurial talents. Yet old habits and familiar tensions continued, as two episodes suggest. In the first case, in 1956, the Registrar of Cooperatives in Port Moresby accused the Chinese of 'unfair opposition to native economic development through sharp business practice, claiming that Chinese extended credit to natives and that in New Ireland they had a "virtual lien over their crops"', while in Rabaul natives were "probably in debt to the Chinese population or are held by liquor or other vices". Another senior official 'was puzzled by the ambivalence of Tolais who were, he claimed, "intensely jealous of the Chinese ... [yet attracted by] part-payment in liquor, free cups of tea and cigarettes, [and] rumoured high prices"' (Cahill 2012, 266). The second episode occurred in the relatively new cocoa industry, and was related to an ordinance of 1962 for the licensing of new cocoa fermentaries on the Gazelle. These were to be restricted to Tolai operators, to the exclusion of Chinese and European applicants. This was based on the judgment that purchasing and processing of cocoa beans by non-indigenous traders was challenging the financial viability of the Tolai Cocoa Project, a community-owned joint marketing exercise.

These two cases differ from pre-war episodes, where Chinese aims were often aligned with those of Tolai, and seen as opposed to European interests. In this new era, an Australian concern for Tolai welfare underpinned the regulatory impulse. Tolai were seen as the proper beneficiaries of 'economic development' while Chinese were regarded as operating against the interests, not so much of Europeans as of the indigenous people. The account of the behaviour of some Chinese in these episodes is immediately recognizable; it mirrored the conduct of previous generations. Their behaviour suggested a continuing strain of informality (or 'illegitimacy') in their business practices. Two 'legitimate' enterprises, both of them formal in their methods, structures and legal constitutions, were said to be threatened by Chinese business conducted in the old, informal manner. Now, however, these legitimate businesses were owned by Tolai -- the cooperative system in one case, the cocoa project in the other -- and Chinese traders were accused of undermining them. No judgment is offered here concerning these events, although the Tolai Cocoa Project is discussed elsewhere (Epstein 1968; MacWilliam 2013; Conroy, forthcoming). Suffice to say that the rise of economic nationalism, fuelled by Tolai resentment on the Gazelle Peninsula in the 1950s and 1960s, was a signal heeded by the Chinese community. The opportunities offered by post-war economic prosperity, followed by emigration to other towns and/or to Australia, must have seemed a welcome resolution of their ambiguous status.

Conclusion

This paper has been concerned with the economic history of immigrant Chinese in colonial Rabaul and its hinterland over the century to the Independence of Papua New Guinea in 1975. It has asserted the value of viewing events through Keith Hart's lens of 'informal economy', giving attention to the importance of colonial bureaucracy and the influence of successive economic orthodoxies which influenced bureaucratic action from period to period. The account has given most emphasis to the early phases of colonial history, for it was then that bureaucratic regulation was most heavy-handed and its intentions most apparent. By contrast, the Chinese flourished in the relatively liberal environment of 'economic development' after the Pacific war, and it has been sufficient, for the purposes of this paper, merely to point to evidence of a continuing propensity for informality among them. By failing in German times to *conform* with the economic orthodoxy of the Reich, Chinese demonstrated to the indigenous Tolai people the possibility of their participating in the market economy without complying fully with the norms of colonial bureaucracy. The Germans found it difficult to confine Chinese to dependent and subordinate roles, and Chinese often colluded with Tolai to frustrate German (and, later, Australian) efforts to regulate economic activity to their own advantage. The Chinese were shown as operating an informal economy parallel to, and inter-penetrating, the formal colonial market economy. It is suggested that knowledge of the history of the early colonial Chinese may be useful for understanding the character and trajectory of 'new' Chinese settlement in PNG in the twenty-first century.

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