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Manila-Andalusia Trade Rivalry in the Early Bourbon Period

NICHOLAS P. CUSHNER

THE economic history of the Philippine Islands during the greater part of the Spanish colonial period was largely shaped by the Manila-Acapulco galleon trade. The simple arrangement whereby Manila merchants acted as middlemen in distributing East-Asian merchandise to the Americas was long the sole major commercial activity of the Spaniards in the Islands. The pattern of the trade was amazingly simple and highly profitable, but because it sliced into the juicy monopoly of the Seville and Cádiz merchants, it was bitterly resented.

The galleon trade lived a perennial precarious existence and it was never more in danger of permanent liquidation than during the first half of the eighteenth century, the early Bourbon period. From one point of view, the lengthy dispute which characterized this troublesome period was just one more battle in the century-old commercial war between the Andalusian merchants and their far-off rivals in Manila. Nevertheless, it was significant not only because it marked a clear victory for the settlers in the Philippines but also because it considerably influenced the future commercial policies of the Bourbon dynasty.¹

¹ A recent study of Bourbon reforms in the colonies is John Lynch, *SPANISH COLONIAL ADMINISTRATION, 1782-1810* (London: The Athlone Press, 1958), pp. 1-24; see also Richard Herr, *THE EIGHTEENTH-CENTURY REVOLUTION IN SPAIN* (Princeton: Princeton University Press, 1958).

The foreign trade of the Philippines was, for the most part, rather shakily erected upon the consumption in New Spain and South America of Chinese and Indian fabrics. Fortunately, a lack of, or rather the inability to discover, mines of precious metals prevented the abuses of another Potosí or Zacatecas. A slave labor force to work potential sugar plantations was not available. Even cinnamon, which Legazpi and his expedition found in 1565, proved insufficient for a profitable trans-Pacific trade. Therefore, there seemed to be lacking the necessary means for a get-rich-quick type of colony. Colonists who had envisioned the fabulous wealth of the East began to grumble and ask that the Philippines be abandoned. What saved the situation, however, was the China trade. Up to 1591 Manila enjoyed a period of free trade with New Spain and Peru. But in order to prevent this free flow of Chinese goods into America, Seville obtained the imposition of severe restrictions on the trade between the Philippines and New Spain. The restrictions, however, were violated and other means were sought to keep the trade in check.

Seville and Cádiz strove to regulate the importation of China goods into Central and South America because they themselves had heavy interests in the American market. By 1565, when the first permanent Spanish settlement was made in the Philippines, these cities had already developed a thriving trade with America. In return for the manufactured products of Spain and Europe, the Atlantic galleons shipped valuable stores of indigo, tobacco, cacao and precious metals from Porto Bello, Cartagena and Vera Cruz. The arrival on the scene of the Philippines presented a problem since the Far Eastern colony was capable, at least geographically, of dumping on the Americas the entire Japanese, Indian and Chinese markets. Such a situation, however, was never realized due to a variety of reasons, the most important of which was the effective lobbying of the Cádiz and Seville merchants. Spain, whose first explorers sailed in search of the goods which the

Philippines was partially able to supply, now found itself in the rather unique position of restricting their importation.

Legazpi's transfer of the Philippine colony from Cebu to Manila in 1571 marked the turning point in the economic position of Spain's easternmost possession, for it soon became a mere way-station between China and Mexico.² The volume of the carrying trade to the Philippines from China, Siam, Cambodia and the Moluccas steadily increased while the port of Acapulco became familiar with raw silk, ivory, pearls, rubies, sapphires and such less enchanting merchandise as cast-iron pots and iron sheets. The non-luxury items considerably undersold those of Spain, so protests, long and loud, began pouring into the Council of the Indies and to the King. They had their effect. Unrestricted shipping by merchants of New Spain and Peru, directly or through agents in Manila, was soon forbidden and only residents of the Philippines were permitted to ship, in only two galleons of three hundred tons each. The cargo from Manila was limited to the value of 250,000 pesos, and the return in silver was not to exceed 500,000. In addition, the restrictive law of 1593 said:

Chinese merchandise and articles which have been and are shipped from the Philippines to New Spain can and shall be consumed there only, or shipped to these kingdoms after paying the duties. They cannot be taken to Peru, Tierra-Firme, or any other part of the Indies, under penalty of confiscation of all those found in the possession of any person.³

Even if this *cédula* had been observed, commercial peace, in all probability, would not have been preserved since the existence of a strong competitor would have remained, and did remain, a thorn in the side of the Andalusian interests, to be removed only with the cessation of the China trade. But the Manileños simply added fuel to the fire by undervaluing their cargo on the invoices and so shipped into New Spain

² The phrase is from W. L. Schurz, *THE MANILA GALLEON* (New York: E. P. Dutton, 1939), p. 26.

³ *Recopilación de Leyes de los Reynos de las Indias*, lib. IX, tit. XXXV, ley LXVIII, in *READINGS IN PHILIPPINE HISTORY* ed. Nicolás Zafra (Quezon City: University of the Philippines, 1956), p. 246.

far more than the Seville and Cádiz merchants thought they could safely allow. To remedy the irregular situation, Don Pedro de Quiroga, a strait-laced and exacting inspector, was sent in 1635 by Madrid. He so upset things by a rigid application of his orders that the galleon trade came to a complete standstill and only his recall induced Manila merchants to resume activity.⁴ The trade, however, considerably lessened in volume, a belated tribute to the partial success of the royal commissioner.

In 1702 the export quota value of the eastbound shipment was raised to 300,000 pesos. Yet the merchants were dissatisfied with the annoying details which were added to the prescribed procedure of shipment. All goods destined for Acapulco had to be stored in a royal warehouse to await inspection by the royal officials, the fiscal and two persons chosen by the shippers themselves, all of whom were to oversee the thorny business of evaluating the bales. The Manileños objected that since the Chinese junks came towards the end of May and the galleons left Manila towards the end of June there would not be sufficient time to evaluate properly each bale.⁵ A last hour rush was certain to result in the merchandise being superfi-

⁴ A good account of Quiroga's inspection can be found in Manuel Azcárraga y Palermo, *LA LIBERTAD DE COMERCIO EN LAS ISLAS FILIPINAS* (Madrid, 1871), pp. 51-54.

⁵ Don Antonio Alvarez de Abreu, *EXTRACTO HISTORIAL DEL EXPE-DIENTE QUE PENDE EN EL CONSEJO REAL . . . SOBRE LA FORMA EN QUE SE HA DE HACER Y CONTINUAR . . . EL COMERCIO DE CHINA . . .* (Madrid, 1736), pp. 31-32; hereinafter cited as *EXTRACTO HISTORIAL*. It was drawn up for the guidance of the Council of the Indies on the Chinese silk question. It is an historical resumé of the trade between the Far East and New Spain, including documents and decrees which concern it. The complete title in English is: "Historical Summary of the matters which are now being discussed in the Council of the Indies, at the request of the City of Manila and the Philippines, on the form in which the trade in New Spain of China fabrics shall be conducted and continued. And for the better understanding of the matter, the important events are noted in separate periods of time, from the discovery of the Philippine Islands and the concession of commerce to them, with whatever has happened up to the present at the request of the comercio and consulado of Spain."

cially inspected and judged at random, a method which had been tried before and which the shippers found distasteful, since the whole cargo was evaluated according to the highest taxable fabric.⁶

Besides, the work involved in arranging the fabrics in the warehouse according to quality and quantity would have been in vain. In addition, the laws which prohibited Philippine merchants from visiting Chinese ports, and merchants of Mexico from engaging in trade with Manila, were still in force, as well as other severe restrictions which rendered practically illusory the 50,000-peso increase of the *permiso*.⁷ Needless to say, feelings ran high over this apparent concession. The remonstrances, however, proved of no avail. The law stood and the Manila merchants resorted to that legal, or illegal fiction which was invoked by myriads of Spaniards before then, "*obedezco pero no cumpro*."

The general disregard for the legal limits of the westbound cargo had been a constant cause of complaint from royal officials. Even discounting exaggerated figures, however, it is established that shipping in excess was practiced.⁸ The Manilaños fought for the abandonment of all registering, weighing and measuring except where there was positive evidence of fraud, a thing very hard to come by. To offset the restrictions of 1702, overshipping, in addition to several other practices, were utilized by the galleon traders.

On August 4, 1714, Fernando de Alancastre, Duke of Linares, Viceroy of New Spain from 1711 to 1716, wrote in detail of the unlawful procedures used in the trade between Aca-

⁶ See the complaints of the Manila agent in Spain, Don Juan Grau y Monfalcón in COLECCION DE DOCUMENTOS INEDITOS RELATIVO AL DESCUBRIMIENTO, CONQUISTA Y COLONIZACION DE LAS POSESIONES ESPAÑOLAS EN AMERICA Y OCEANIA, SACADOS EN SU MAYOR PARTE DEL REAL ARCHIVO DE INDIAS, ed. by Pacheco and Cárdenas (42 vols., Madrid, 1864-81) VI, 462.

⁷ D. José Montero y Vidal, HISTORIA GENERAL DE FILIPINAS, (3 vols., Madrid, 1887-1895) I, 458.

⁸ See, however, Grau y Monfalcón's rather strained arguments that only local products constituted the excess, *Documentos inéditos* VI, 456-457.

pulco and Manila.⁹ Not only at the Manila end was there fraudulent activity but also in the shipping of silver from Mexico. What was shipped from Manila in addition to the export quota, without registration, he complained, frequently found its way into the galleon's manifest, thereby protecting the shipper and increasing the return of Mexican silver. Just how much was overshipped is difficult, almost impossible, to determine since no one dared keep a record of excess shipments. We can get an indication of excess in silver, however, from the capture of the *Covadonga* by Anson in 1743. From the galleon the English took 1,313,843 pesos in coined silver and 35,862 ounces of silver bullion, considerably more than the *permiso* stipulated.¹⁰

Much of the blame for the illegal practices was also put by Linares on the citizens of Mexico City and Puebla who engaged in the trade by sending their own buyers to Manila, contrary to law. As early as 1593 Philip II ordered that no resident of New Spain be allowed to trade in the Philippines, and in 1604 that no one was to go to the Philippines unless he gave bond that he would become a citizen and live there for at least eight years.¹¹ But the law did not deter people from reaching out for handsome profits. It was allowed that those going permanently to the Islands take with them the silver equivalent of the wealth they had in America. Using this as a loophole, an agent or dummy, posing as a future settler, would be sent, who would bring with him 50,000 to 70,000 pesos, representing the combined fortune of several *encomenderos*. This, however, was declared as the settler's own money. The agent would then go to Manila and trade with the money given him, returning goods consigned to his fellow businessmen. For the little cost of sending an agent to Manila the Mexicans were able to retain what would have gone to the Manila middlemen.¹²

⁹ Duque de Linares to Philip V, August 4, 1714, in *EXTRACTO HISTORIAL*, p. 31 ff.

¹⁰ W. L. Schurz, *op. cit.*, p. 335.

¹¹ Lib. IX, tit. XXXV, ley XXIX, in Zafra, *op. cit.*, p. 251.

¹² Duque de Linares to Philip V, *Extracto Historial*, p. 33V.

Close collaboration between Manila and Mexican merchants also produced a number of clever business procedures. One was to ship a large consignment of fabrics to a predesignated merchant who would not immediately need to sell the goods but would hold them until the first wave of China materials had been sold and the prices had gone up. He would then unload the goods and return a handsome profit.

The *Libros de Harrieros* (muleteers' account books) in which a record of all the silver brought into Acapulco was kept, provided another opportunity for tax evasion. Since the books were not kept in an orderly way, it was impossible to tell what amount of *reales* was destined for the fair at Acapulco and what was destined for the Philippines.¹³ The confusion resulting from this inefficient bookkeeping allowed *reales* to be sent or kept at the desire of the merchants; thus the royal officials were defrauded of their due.

The royal officials in their turn, however, were very much aware of the vast opportunities for gain they themselves possessed. Customs officials on the Acapulco end of the trade frequently overlooked excess cargo when it was to their interest to do so.

All of these reported abuses became an effective weapon in the hands of the Andalusian merchants who were continually prodding Philip V to discontinue the Manila-Acapulco route. On January 27, 1714, the *consulado* of Seville dispatched a passionate plea to Philip V, complaining that excess shipping in the galleon trade was slowly destroying silk manufacturing in Spain.¹⁴ Moreover, *picotes* (cloth made from goat's hair) and woolens, which formed the principal materials for clothing in New Spain, were being replaced by China goods at one-half the former price, resulting in a considerable loss to the royal treasury and a corresponding gain to the "enemies of Christianity." The *consulado* was also irked at the oriental gift for tight packing. One Chinese-packed bale, they said, which

¹³ *Ibid.*, pp. 32v-33.

¹⁴ *Ibid.*, pp. 35-36.

measured only a *vara* (a little under a yard), contained more fabrics than the largest bale shipped from Spain.¹⁵

In 1718, Philip V took the step long hoped for by the Andalusian merchants and long feared by their Manila counterparts. In a *cédula* dated January 8 it was expressly forbidden that the *naos* coming from the Philippines to Acapulco or to any Spanish port in both hemispheres, carry cloth, silks, and fabrics.¹⁶ A later *cédula* forbade satins, velvets, damasks, silks (pequines), brocades, grogranes, taffetas, dressing gowns, hose, handkerchiefs, or any fabrics which contained silk. Instead, they should carry only goods native to the Philippines since the introduction of East Asian dry goods and especially silks made impossible the sale in New Spain of similar goods from Seville, Valencia, Toledo and Granada. The galleon trade was to content itself with the carrying of linens, wax, pepper, cinnamon, porcelain, cloves and whatever the islands could export, provided it did not interfere with the mother country's trade with New Spain.

It is one of history's question marks just how much the Crown's preoccupation with the War of the Spanish Succession prevented a careful, methodical study of the Philippine question. The subsequent about-face in 1724 on the part of Philip V points either to a precipitous course of action based on insufficient information or a rather pliable monarch. One suspects the former in view of the weighty matters Spain faced on the continent and the persuasive closeness of the Andalusian faction. Besides, it remained a fixed principle, even in the time of the reforming Bourbons, that colonies existed for the mother country. When the interests of the two, therefore, came into conflict, there was no question whose good was to be served. The complications set in, however, when trade was the *only* means of a colony's economic survival. So it was alleged of the Philippines. When their only means of livelihood was brought precariously close to ruin, the pleas and counterpleas from the Philippines became almost as broad of beam as the galleons on which they were carried.

¹⁵ *Ibid.*

¹⁶ *Ibid.*, pp. 36-37.

Strangely enough, the first bit of opposition to the ban came not from Manila but from a royal official, the Viceroy of New Spain, the Marqués de Valero. On March 12, 1719, he informed the king that the decree he had received would do great harm both to the Church and government in the Philippines.¹⁷ The teaching of religion would decline since the financial support of the orders would lessen. The usual threat that the Spanish would abandon their homes and the Islands was joined to an explanation of how great a blow it would be to the people of New Spain who depended for clothing on the low-priced China goods. Designed to tug at the royal heart-strings more than anything else, however, was the argument that the annual subsidy to the Philippines was taken from the duties on the China silks; if this source were up, the *situado* would have to come from the king's own *cajas de México*. The customary action of suspending enforcement of the decree pending the royal decision was also adopted by Valero.

The king, however, brushed aside his Viceroy's objections, reminding him that he could best serve his king by putting the royal commands into immediate execution.

A cédula of October 27, 1720 reiterating that of January 8, 1718 added several items to the list of products exportable from the Philippines. Besides gold, cinnamon, wax, linens, and cloves, permission was granted to export calicoes, printed linens, shawls, untwisted silk, rigging and cordage. On the negative side, the cédula forbade royal officials, military men and religious to continue taking part in the trade. It was further stipulated that at Acapulco the *factor* (royal official) was to open some of the bales at random in order to detect any undeclared goods.¹⁸ There was no reason to fear excess shipping, however, since it would have been difficult to fill just one galleon with the aforementioned articles. It was also rather naively commanded that all fraudulent activity should cease, and the details mentioned in this prohibition indicate that Linares' complaints were justified. Appended to the rigorous decree was the still more rigorous order that within

¹⁷ Marqués de Valero to the King, *ibid.*, pp. 37v-38.

¹⁸ *Ibid.*, p.43.

six months of the promulgation of the *cédula*, which was to be made public a month after reception, all Chinese silks in New Spain were to be disposed of. What was found after six months was to be burned.

Looked at from the vantage point of two and a half centuries the disastrous *cédula* of 1718 in reality presented a golden opportunity to develop local cloth industries. There was a fair prospect of such industries prospering. Spinning and hand weaving had since the earliest times been home industries in which Filipinos were highly skilled. But nothing, it seems, was farther from the minds of the traders. The reception of the *cédula* in Manila, on August 2, 1722 was met with a roar of protest which echoed as far as Cádiz and Seville. A *cabildo abierto*, ordinarily convened only for matters of extreme importance or danger, was called. The decree, Manilans shouted, was against religion, against the royal treasury, against the common good of the Islands.¹⁹

Again, the usual threat of abandoning the colony was voiced, this time in a lengthy representation to the Governor, Marqués de Torrecampo.²⁰ It was impossible, they said, to comply with the King's commands, since the goods specified for export would not fill one galleon. As regards the military participating in the trade, they had to if they wanted to support their families. They could not do this with the ordinary salaries paid them. Besides, the *obras pías* which supported hospitals, conventos and the Church in general depended to a large extent on the galleon trade in Chinese goods. The conversion of the Chinese and China would thereby be prevented and made almost impossible since the returning junks provided transportation for the missionaries. These same arguments were to be voiced again and again with variations.

The Fiscal of the Audiencia of Manila, Don Pedro de Bedoya, hurried a letter to the king on November 15, 1722. The Archbishop of Manila filed his protest even earlier. He stressed the religious aspects, showing how the conversion of

¹⁹ *Ibid.*, p. 45v.

²⁰ *Ibid.*, pp. 46-47v.

the Chinese would be impeded. But he likewise cited Solórzano Pereira against the charges of the Andalusians that China and Manila were eating up the New World's silver supply. The Andalusian arguments that the Spanish silk industry was being paralyzed would have cogency, he said, if all the cloth they exported were made in Spain; but most of it was not.²¹ And why should Andalusia lord it over the textile world?

In keeping with his episcopal interest in Church finance, Archbishop de la Cuesta expressed concern over the plight of the *obras pías* which had been built up over the years with money bequeathed by wealthy persons. The terms of the bequests often stipulated that the principal be divided into three parts, one being invested in the Acapulco trade, another in merchant ventures in the East, and the third to be retained as a reserve fund. When the principal reached a certain sum the income then went to charitable works. At that time the Acapulco trade contributed to the *obras* about 100,000 pesos a trip. Part of this went to maintaining young ladies in colleges, widows, paupers, poor students, missionaries and other charities. If the income from the trade lessened, the charities would proportionally suffer. Along with the City and Commerce of Manila, the Archbishop made the counterproposal that the permiso on the outward voyage be raised to 500,000 pesos.

After the Archbishop, the Dean and Cabildo eagerly took up the cudgels for the Manileños. For the most part they repeated the customary litany of inevitable disasters and like the Archbishop stressed the religious reasons for retaining the trade.

The "*jardín de la religión católica*," that "rose among surrounding thorns" as the *cabildo* so poetically put it, would

²¹ Archbishop of Manila to the King, November 7, 1722, *ibid.*, pp. 53-55. "The trade of the Spanish colonies was in the hands of the English, French, and Dutch. The manufacturers and shippers of these countries had their agents in Cádiz, who arranged to forward goods from their home countries to Spanish America and send back specie and colonial wares, or they traded directly and illicitly with the Spanish colonies and avoided Spanish taxes and freight charges. Spain did not even supply its own needs in fineries, cloths, and other goods demanded by the well-to-do." Herr, *op. cit.*, p. 120.

fall into the hands of heretics, since the Spaniards would have to leave the Islands. Philip's Hapsburg predecessors were then put before him with the hope that their predilection for the Philippines would be of some influence. When Philip II, the *cabildo* recalled, received an affirmative answer to his question whether there were already some Filipinos baptized and churches established, he remarked: ". . . que nunca Dios permitiesse, que faltasse a la obligacion de amparar esto, y llevarlo adelante quanto en sí fuesse, aunque le gastassen en ello todo lo que le rendian los demas Reynos."²²

The *comercio* of Manila was wise enough to exert pressure from various angles. They therefore petitioned the superiors of the religious orders to write the King on the galleon question. On November 6, 1722 José Fernández, Provincial of the Jesuits in the Philippines, complied with the request. In discussing the Andalusian charge that Manila was siphoning off New Spain's silver, the Jesuit pointed out that there were other leaks in Spain itself. He said that "those of us who reside near China, Batavia and the Coromandel Coast. . . know for certain that the vessels which come from Europe to trade in these places hardly carry any other money for their business than silver coins with the stamp of Peru or Mexico. . . yet it should be supposed that they take no silver from any other place than Europe since they come direct by way of Cape Verde, the Cape of Good Hope, Cape Comorin and Singapore."²³

If the government were really serious about stopping the flow of Mexican silver into China, Fernández suggested, it need only order the governors and officials of Manila to begin a large-scale weaving industry among the Filipinos, mestizos, creoles and other castes, thus eliminating the necessity for

²² ". . . would that God might never allow that he fail in the obligation of assisting the Philippines, or of building up the colony as much as possible, even though it meant spending the revenues from all his other possessions." Dean and Ecclesiastical Cabildo to the king, November 8, 1722, *ibid.*, p. 58.

²³ José Fernández, S.J., Provincial of the Society of Jesus, to the King, November 6, 1722, *ibid.*, p. 59v.

Chinese goods. The galleon trade would continue but the flow of silver would enrich the colony instead of China. And the development of the Islands would be greatly enhanced. There was no doubt in the mind of Jesuit superior about the capacity and quality of the local industry, since the goods already produced locally were considered to be far better made than the Chinese materials, especially the cottons. Gold, pearls and civet cats were also mentioned by the Jesuit superior as possible export products.

Those far-sighted enough to realize the danger of constructing foreign trade solely on the galleons were too few to be of much influence. Critics of the system increased, however, as the years made more and more apparent the harm being done. But when the crisis came, the colonists rallied to the cause and fought for the privileges which they had long enjoyed. And their arguments prevailed. On June 17, 1724, after Cádiz and Seville were given the opportunity of answering Manila, the king repealed the *cédula* of prohibition.²⁴ The royal reasons for the repeal were three: the serious harm done to Manila citizens, the royal interests, and the preservation of the Islands for the propagation of the faith. It was a clear victory for the Philippines.

Only once after 1724 did the dispute between Andalusia and Manila flare up. This was in 1734; but again Manila emerged the victor, this time with the added feather in its cap of having the outward *permiso* increased to 500,000 pesos and the silver return to 1,000,000 pesos. It was the final round in the long-drawn-out battle of almost two centuries.

If nothing else, the feud between the two commercial centers brings to light the capacity of the Spanish Bourbons for revising ill-adopted measures and for tolerating, if not encouraging, frank appraisals from colonial officials. It was just this quality which enabled Spain to retain a substantial portion of its trade monopoly and almost all of its empire down to the nineteenth century.

²⁴ The king to the Marqués de Torrecampo, June 17, 1724, *ibid.*, pp. 92-94v.