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# Eighteenth Century Philippine Economy: Commerce\*

MARIA LOURDES DIAZ-TRECHUELO

## THE COMMERCE OF THE ARCHIPELAGO

**T**HE commerce that the Archipelago carried on during the second half of the eighteenth century forms an important chapter in the economic history of the Philippines. As Father Murillo Velarde wrote, "in no other part of the world can there be found a country better adapted to commerce, being situated between the two Indies, which are the wealthiest countries of the universe"<sup>1</sup>

This study may be divided into three parts: 1. the commerce of the Philippines with Oriental countries; 2. the commerce with New Spain; and 3. the direct commerce with Spain. The trade with Oriental countries brought in goods which later found their way from the Philippine capital to two commercial routes: the oriental route across the Pacific which terminated in Acapulco; and the occidental route by way of the Indies and the Atlantic towards Spain. The latter began during the period under study through the direct voyages made yearly by frigates of the royal armada between 1765 and 1783 and later resumed in 1786 by the ships of the Royal Company of the Philippines (Real Compañía de Filipinas).

\* This is the fifth of a series of five articles by Miss Díaz-Trechuelo. It is translated from the Spanish by Natividad P. Verzosa and Helen R. Tubangui.—EDITORS' NOTE.

<sup>1</sup> Murillo Velarde, Pedro, "Geographia Historica", Bk. VIII, Chap. IV., p. 32.

## COMMERCE WITH ORIENTAL COUNTRIES

From the time that Spain occupied the Philippines, trade with China and other Oriental countries existed which supplied the needs of the people of both Manila and New Spain. This commerce was very active during the sixteenth and seventeenth centuries; more so during the sixteenth century when the people of Manila enjoyed full freedom to transact business with all the American ports. However, in each case there were many and varied causes for its decline: in the Moluccas it was due to the voluntary abandonment by the Spaniards; in Macassar by the fall of the sultanate into Dutch hands; and in the other countries by the withdrawal of the Portuguese who were stationed in Manila when Portugal, united with Spain through Philip II, was separated from Spain in 1640. But the main cause was the development and flourishing of the commerce with Acapulco which consumed the attention and the energies of the residents of Manila who, attracted by the fabulous profits derived from very little work, were loathe to indulge in less productive enterprise.

Article five of the Treaty of Munster signed in 1648<sup>2</sup> was frequently invoked by the Dutch to restrict the commerce of the Philippines with neighboring countries. The treaty stipulated that the Spaniards could only "maintain their oriental commerce in the condition it was in at the time without further expansion." This is distorted reasoning, since "its condition" when the Treaty was signed was much more flourishing, and although the commercial relations with India and the neighboring countries which had developed were later abandoned, this had nothing to do with the said treaty.

In the middle of the century under study this commerce was less active and languished especially at the start of 1762,

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<sup>2</sup> Said treaty was signed 30 January 1648 between Philip IV and the States-General of the United Provinces. Article five was ratified in article ten of the treaty which was signed in Utrecht on 26 June 1714, between Spain and the States-General of the United Provinces. Cf. Alejandro del Cantillo, *Tratados, Convenios y declaraciones de paz y de comercio que han hecho con las potencias extranjeras los monarcas españoles de la Casa de Borbón, desde el año de 1700 hasta el día*. Madrid, 1843. p. 156.

with the regulation to close the port of Manila completely to foreign ships. For this reason, we have to distinguish four periods in its development: first, 1750-1752, during which the most active relations maintained were those with the Kingdom of Siam; second, 1762-1785, when there was a great decline in this commerce because of the above-mentioned closing of the port—but by royal decree published in 1785 providing for the establishment of the Philippine Company, the port was reopened to Asian countries which brought a revival of the trade; third, 1785-1789, during which many European ships protected by Asian flags entered the port of Manila with American or Moorish dummies; and the last period, that of the open port (1789-1800), when a commercial movement as yet unknown in the Philippines began to develop.

The position of the Archipelago was very favorable to oriental commerce for around her were China, Indochina, India, Borneo, Jolo and the Moluccas. The archipelago of Jolo offered wax, edible birds' nest, marine products, mother of pearl, tortoise shell and *balate*.<sup>3</sup>

In the XVII century the commerce with Borneo was of considerable volume for this island had valuable products: copper *calain*<sup>4</sup>, diamonds, camphor, benzoin, "sangre de drago", "palo de calambac"<sup>5</sup>, and especially wax and pepper which were the main articles of this commerce.

The trade with Siam was not greatly developed because her products did not have acceptance in Acapulco. But the good intent of her king became apparent when Governor Fernando Manuel de Bustillos sent an emissary to solicit for the establishment of a factory and arsenal for the building of ships since construction costs there were lower than in the Philippines. This proposition was favorably received and

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<sup>3</sup> Radiated animal similar to the sea cucumber which abounds on the coasts of the Islands located between Asia and Australia and which is in great demand in China as food.

<sup>4</sup> Yellow metal or brass.

<sup>5</sup> Leguminous tree with simple leaves, lance-shaped, with flowers in bunches at the tips of branches. Its wood is like the *alcea* and is used for fumigation in the Orient.

the King of Siam gave the Spaniards the land on which to construct and the privilege to purchase all kinds of merchandise except cow hide and *calain*, because the monopoly of these had been granted to the Dutch.

Since timber for shipbuilding in Siam was much cheaper and better than that in the Philippines, the Marquis of Ovando, in 1752, established a company in Manila to undertake shipbuilding there. This had a capital of 30,000 pesos, divided into 100 shares of 300 pesos each, to which Ovando subscribed to 20 shares.<sup>6</sup> But the royal decree of 1 July 1755 disapproved this venture and prohibited the construction of ships outside the country. In the meantime, however, a ship had already been constructed in Siam costing 32,783 pesos and 3 *tomines* without masts, rivets, forge, tackle nor sails.<sup>7</sup> Nevertheless the attempt showed the favorable attitude of the King of Siam toward the Spaniards to the extent of giving a loan of 12,000 pesos without interest for the construction of the ship.<sup>8</sup>

Undoubtedly this was due to his desire to establish trade relations with Manila for whoever could bid for lead, ivory, saltpeter, wax, camphor, rhubarb, pepper, sugar and *siguey*<sup>9</sup>. The latter were the only commodities of interest to the commerce with Acapulco. Saltpeter which was always scanty in the Philippines was also very important especially during times of war and more so, the teak wood.

Manila also had commercial relations with Cambodia from the earliest times and in the XVII century several ships were built there. In 1751, the King of Cambodia sent two ambassadors to Manila to petition that Philippine ships sail to

<sup>6</sup> Ovando related all this in his letter of 5 June 1752. *AGI Filipinas* 941.

<sup>7</sup> Pedro Manuel de Arandía to the King, Manila, 24 July 1757. *AGI Filipinas* 941.

<sup>8</sup> "Discurso sobre la utilidad del comercio de Filipinas a los reynos inmediatos de aquel Archipiélago y medios de establecerlo y practicarlo. Presentado a la Sociedad Económica de Manila Por D. Joseph García de Armenteros, Secretario de la Intendencia de Exército y Real Hazienda de aquellas Yslas. Año de 1786". BPM., *Miscelánea de Ayala*, v. XXXVII, fol. 257. v°.

<sup>9</sup> Small shells used as money in India where they were in demand.

their ports to trade. This request was repeated some years later through a Franciscan missionary.<sup>10</sup>

In 1776, D. Simon de Anda y Salazar in his desire to establish commerce with the Kingdom of Nabob Myder Alican on the coast of Malabar, sent over two representatives: D. Ramon Ysasi and the engineer D. Miguel Antonio Gómez, author of a fortification project in Manila. Both left aboard the frigate *Deseada* arriving at Malacca in May 1777,<sup>11</sup> then continuing to the port of Mangalore, their port of destination. Ysasi died here, leaving Gómez to discharge their mission, the results of which are gathered in his diary. Upon the latter's return Anda had already died and was succeeded by D. José Basco y Vargas who approved the project wholeheartedly. This was to be expected since Basco was interested in the economic development of the Philippines.

In reporting to D. José de Galvez<sup>12</sup> Basco explained his position, saying that this commerce would be very profitable to Spain and to the Islands. The propositions of the Nabob were excellent, but offered very little formal guaranty. On the other hand he feared with good reason the opposition of the British Oriental Company which would be prejudiced by this commerce as well as that of the Dutch, for this would compete with their traffic in cinnamon and pepper. In Basco's judgment, the enterprise was too ambitious for the commerce of Manila and it could only be successfully accomplished by a powerful company. He proposed that this company be formed in Cadiz and a direct commerce bypassing the Archipelago be established. This would be favored by the existence of a company in Mangalore where the Filipinos could send their ships to buy what they needed for their commerce and their use in the Islands. Although this plan was not put into effect, this attempt has been noted as another example of the activity and interest with which the economic problems of the country were studied during the second half of the eighteenth century.

<sup>10</sup> García Armenteros, José, "Discurso" cited fols. 258 and 259 v°.

<sup>11</sup> "Diario" of this expedition by Miguel Antonio Gómez. *AGI Papeles de Estado* 47.

<sup>12</sup> In Manila, 24 December 1779. V. R. No. 206. *AGI Filipinas*. 495.

The Economic Society of Manila, besides its obligation regarding internal and external commerce, also tried to develop commercial relations with Asian countries. Garcia Armenteros' study, which won a prize in one of its annual contests, was on this subject. The study presented a general view of a commercial situation of little promise in 1785. At the same time, it proposed that the former relations with Jolo, Borneo, Siam, Cambodia and other nearby Kingdoms be resumed.

With reference to Jolo and that part of Mindanao under the jurisdiction of the Mohammedans, Armenteros said that this commerce could be accomplished in solely one trip. An appropriate vessel for this traffic would be a bilander with a 25 cubit keel because of its maneuverability and adequate loading capacity. This vessel should first travel through the main river of Mindanao, outlet of the lake bearing the same name, at the mouth of which resided the principal sultans with whom commerce should be transacted.

Mindanao and Jolo lacked the heavy textiles of India which they used in large quantities and they would also buy products of the archipelago. The ship designated for this expedition could make its first stop at the port of Iloilo where it could unload the customary articles of trade between Manila and the Visayas and take rice in exchange which had a ready sale in Jolo, sugar, which would still bring in much profit, and textiles woven by the natives of that province who were one of the most industrious peoples in the Philippines.

When Armenteros was writing his study, the commerce with Jolo had already been reestablished, and as soon as the ships of Manila headed for that shore, the datus arrived at the capital with their coasting vessels loaded with mother of pearl, tortoise shell, wax, balate and birds' nest. On the other hand, the commerce with Mindanao was completely cut off for about thirty years, so that it was advisable that the first boats going there should bring letters from the government with assurances of their peaceful intentions. This traffic besides being profitable to the merchants, would serve as a means to fight piracy without having to resort to arms which

required an outlay that the dwindling public coffers could not afford.

Among the chieftains of southern Mindanao there were some who were somewhat inclined towards the Spaniards like the Sultan of Sibugüey, and Prince Quibad who without doubt would accept the agreement and whose friendship would pave the way toward the enterprise.

If the Commerce with Mindanao and Jolo was originally proposed in Armenteros' plan with a political aim, that with Borneo had great economic concern. The latter was of great importance and produced enormous profits during the XVII century. During the incumbency of Governor Valdés Tamon (1729-1739) the war with the King of Jolo forced the ruler of Borneo to send an ambassador to Manila, asking for gun powder which was sent to him. In return the Spaniards were supplied with copper which they needed to smelt their artillery.

The project of Garcia de Armenteros proposed that the navigation should go through the interior of the Philippine archipelago. This was a longer trip than that by way of the occidental coast of Paragua, but more profitable because the boats could carry the same commodities and products of Iloilo as previously mentioned and in larger quantities inasmuch as the buying capacity of that Kingdom was greater. They could also sell textile from India at a profit since the Borneans used to get this from Batavia through the Dutch as middlemen. Therefore what the Spaniards brought would have an assured sale. On the other hand it would be useless to bring in articles from China because every year a sampan or two from Amoy traded with that island.

On the return trip, the cargo would consist of copper, calain, camphor, benzoin, sangre de drago, and especially pepper and wax which grew in quantity in Borneo. In case this commerce was not advantageous to the merchants of Manila, Armenteros proposed that authorization be given to the *alcalde mayor* of Iloilo and the governor of Zamboanga to send vessels to trade with these neighboring countries.



The project then referred to the advantage of renewing contact with the Moluccas, where Spain up to 1662 maintained garrisons in Ternate and Tidore besides others on the oriental and occidental coasts of Iloilo. Protected by these ports, the trade in cloves and other spices was carried on. But in the above mentioned year, the threat of an impending attack by a Chinese pirate forced governor D. Sabiniano Manrique de Lara to recall the forces which were guarding these garrisons to reinforce those of Manila and Cavite. Before leaving, the Spaniards informed the native chiefs and the Dutch that they would return after the danger that menaced the capital had passed. The sultans then occupied the fortresses and conserved them while waiting for the return of the Spanish troops.

In 1778, the sultans of Bachan, Ternate and Tidore, indignant at the oppression of the Dutch, wrote the Governor of the Philippines requesting the promised return of the Spaniards. On this favorable event was based the proposition of Armenteros that the commerce with these islands be renewed as their most valuable product was the clove. But in Ternate and Tidore the trees producing this spice were destroyed through pressure from the Dutch who had signed treaties with the sultans of these islands, paying them an annual pension to compensate for the destruction of the clove trees. For this reason, the cloves had to be sought in Gilolo and other islands not controlled by the Dutch, also in Bachan where some still existed because the natives under Dutch supervision in charge of burning the trees tried hard to deceive them, leaving some whenever they could do so without arousing suspicion. For this reason, Armenteros indicated that it would pay to renew the commerce with the Moluccas because, solely with the cloves not under Dutch control, they would be able to fill up a medium sized vessel. Besides, the presence of the merchants would bring the merchandise together inasmuch as the clove was also allowed in other islands not belonging to the Moluccas group. In addition, with the reestablishment of the forts of Ternate and Tidore, ordinary textile from India could be sold there: *cambayas*, *paños*, *elefantes* and abundant *guinaras* and all kinds of textiles made in Iloilo besides tobacco, coconut wine and

rice, to complete the cargo of the ship, and return with the commercial clove.

This plan of Armenteros was also intended to start the growing of cloves in the Philippines and for this reason the presence of the Spaniards in the garrisons of the Moluccas would only be temporary. They were to be recalled as soon as the clove trees prospered in the archipelago.<sup>13</sup>

Later, he discussed the commerce with Siam which he felt was necessary for the "development of the products of these islands and particularly for the benefits which the country would reap."<sup>14</sup> The Filipinos could sell sugar and *siguey* in Siam and buy their products as previously mentioned, among them saltpeter and teak wood which were useful. From a renewal of commerce with said Kingdom would result the increase "in the production of goods in the Islands which was the actual means for the intended development."<sup>15</sup>

He ended by pointing out the convenience of reestablishing also the commerce with Cambodia which was desired by the inhabitants of that country. They had asked for this relation on several occasions; for them this commerce would be favorable.

The project of Armenteros, awarded a gold medal by the Sociedad, served as the basis for the intensification of commercial relations between the Philippines and the neighboring countries which, upon the opening of the port of Manila in 1789, increased considerably.

#### COMMERCE WITH NEW SPAIN

A few years after the conquest, the commerce of the Philippines was confined to New Spain through the permit which the King gave to the merchants of Manila and was sent to Acapulco in the yearly galleon. This permit, limited to 250,000 pesos in the beginning, was increased in succeeding years.

<sup>13</sup> García de Armenteros, José, "Discurso" cited, fols. 252-256 v°.

<sup>14</sup> *Ibid.*, Fol. 256 v°.

<sup>15</sup> *Ibid.*, Fol. 258 v°.

The capacity of the galleon was divided among the merchants, military men, ecclesiastics and poor widows. The abuses connected with this "repartimiento de boletas" (distribution of tickets) was always the subject of criticism and discussion with no solution in sight because the persons favored with the grants usually sold them to merchants interested in increasing the volume of their merchandise.

Deprived of the necessary capital, the merchants of Manila secured loans from the Confraternity of Mercy of the Venerable Third Order and from the *obras pías* by paying interest on said loans.

On this arrangement, business in the Philippines was carried on until 1750 without undergoing any change nor improvement except for the *Reglamento de 1734* (Regulation of 1734) which ended the prolonged lawsuit between the Consulado of Cadiz and the commerce of Manila. The proceedings of this case are found in the "Extracto Historial" written by order of the King.<sup>16</sup>

However, during the period under consideration, the monopoly enjoyed by Manila suffered severe setbacks although it continued to be officially supported. The first attempt against the Acapulco trade was the series of direct trips from Cadiz to Manila via the Cape of Good Hope, although the rights of the Manila merchants were recognized. Indirectly, the Regulation of Free Commerce of October 12, 1778, was a stronger blow against Philippine commerce because with this she ceased to be the only source of Asian textiles for the viceroyalty of New Spain.

Despite these events which more or less directly prejudiced Philippine trade, there were other factors to consider which showed the desire of the Crown to maintain at all costs an arrangement upon which, it was repeatedly affirmed, depended

<sup>16</sup> "Extracto Historial del Expediente que pende en el Consejo Real y Supremo de las Indias, a instancia de la Ciudad de Manila y demás de las Islas Philipinas, sobre la forma en que se ha de hacer y continuar el comercio y contratación de los texidos de China en Nueva-España." Madrid, 1736. The council took charge of publishing this extract of D. Juan Antonio Alvarez Abreu.

the conservation of the archipelago. As a result, although everyone was convinced of the great difficulties it caused, the galleon ships continued to cross the Pacific until 1815.

### *Establishment of the Consulado of Manila*

In 1769 "a body or union or council of citizens . . . professional merchants with the prerogative and jurisdiction of a consulate"<sup>17</sup> was established in Manila.

The regulations were sent to the Philippines in a royal decree addressed to D. Simón de Anda y Salazar<sup>18</sup> which requested him to organize it. Thus far, the Noble City and Commerce constituted one body which was now designed to be divided in order to separate the latter. For this reason, the Governor passed on to them the royal decree and the accompanying regulation which was read by the regidor of the city, Don Antonio Pancelo,<sup>19</sup> in an extraordinary session on 19 July 1770.

On 23 August the senior regidor of Manila, D. Alberto Jacinto Reyes, in the name of the Municipal Council and before an audience standing at attention, solemnly took both documents lying on a table covered with purple velvet, "kissed and placed on his head" the royal decree creating the Consulado of Manila<sup>20</sup> as a sign of obedience and acceptance.

But the progress of the business was slow. On 28 January 1771 an open *cabildo* was convened by the City and Commerce to form a list of persons to be included in the group of shippers who would have active and passive votes in the

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<sup>17</sup> "Real Proyecto", Madrid, 18 December 1769. *AGI Filipinas* 975.

<sup>18</sup> In Madrid, 19 December 1769. *AGI Filipinas* 940.

<sup>19</sup> "Testimonio de las diligencias practicadas en obediencia de la real cédula de 19 de diciembre de 1769, dirigida a la Noble Ciudad y Comercio, remitiéndole el Reglamento del Consulado." Fol. 53 v°. *AGI Filipinas* 967.

<sup>20</sup> *Ibid.*, fol. 42. Everything referred to according to this testimony is found in the "Libro de Acuerdos ordinarios y extraordinarios" of the commerce of Manila, folios 149 to 151 v°. *AGI Filipinas* 967.

election of the *prior* and consuls. The resolution adopted provided that anyone obtaining more than one-half of the votes of the members present, of which there were twenty-five, would be eligible as an elector and could also be elected for any of the mentioned positions. Those who received less than seven votes would be excluded. As to those who received between eight and twelve votes, the Governor would decide whether they were to be included or not.<sup>21</sup> All these were annulled<sup>22</sup> by a series of legal objections by the fiscal of the Audiencia of Manila<sup>23</sup> and on 5 March a new *cabildo* was formed which nominated a commission to determine the citizens who should be members of the Consulado.<sup>24</sup> The said commission submitted its work to the *cabildo* formed six days later and its approved list included two categories: professional merchants and distinguished citizens. The details of the proceedings mention the names of all the merchants classified by order of the Governor into the following groups: 1. Spanish Filipinos, 25 years of age and heads of a family with property valued from eight to ten thousand pesos. 2. Spaniards who had settled in Spanish America or Americans who had resided ten years in the Islands with the same capital as the preceding group.<sup>25</sup>

The classification made by the *cabildo* for the first group included 8 persons: D. Juan Pablo de Lara, D. Vicente Laureano Memije, D. José Blanco, D. Francisco Memije, D. Manuel Fernandez Thoribio, D. Miguel Memije, D. Manuel Careaga and D. Juan de Neyra.

The second group included forty persons.<sup>26</sup> What is interesting about this information is that it gives a picture of the

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<sup>21</sup> The number of votes obtained by each one was sent to the Governor on 31 January 1771. Testimony cited in note 19.

<sup>22</sup> Decree of the Governor, 1 March 1771. Testimony cited.

<sup>23</sup> Reply of the Fiscal, 20 February 1771. In the same testimony.

<sup>24</sup> Testimony cited in note 19, folios 86 to 88 v°.

<sup>25</sup> Decree of 30 March 1771. Testimony cited, fol. 96.

<sup>26</sup> Their names are: José Memije y Quirós, Juan Blanco de Sotomayor, Alejandro Rodríguez Varela, Pedro González de Rivero (Marquis of Montecastro), José Herrera Iglesias, Juan de Asso y Otal, Juan Francisco Solano, Francisco Xavier Salgado, Juan Infante de Sotomayor, Juan de Lara y Mendoza, José Acevedo, José Romay, Pedro Ar-

social composition of the Manila merchants who, although reduced to a small number by the conditions imposed, were still able to maintain the limited traffic with New Spain.

The oidor D. Ciriaco González Carbajal, made a keen analysis of this group: It was composed of "three very distinct and opposite classes." The first included those who in order to belong to the Consulado really satisfied the conditions stipulated by the Regulations of 1769. The second comprised the inactive people with no capital to invest, who obtained membership within the body through the connivance and help of those who belonged to the first class, who bought their boletas, thus increasing the volume of their merchandise. Besides, by protecting these people (the second class) their votes could be depended upon at all times. Without any effort, these "merchants" received an annual income of 500 pesos so that many wanted to become members of the Consulado "because the purely commercial spirit that prevailed in the country—Carbajal would write in 1783—preferred riches to titles of honor."

So Carbajal proposed that while the former rights of the military, the widows and the ecclesiastical council would be respected, the rest of the ship be divided among those who would promote and establish factories for useful products, those who would promote the development of indigo, or had boats for internal and external traffic or had distinguished themselves in the fight against the moros.<sup>27</sup>

In going through the voluminous proceedings of the constitution of the Consulado, we find, among those assigned by

teguita, Alberto Jacinto de Reyes, Felipe Vélez Escalante, Antonio Pacheco, Francisco Antonio Jugo, Vicente Díaz Conde, Fernando González Calderón, Antonio Díaz Conde, José Joaquín Martínez, Castor Manuel Velarde, Francisco Mantilla, Joaquín del Rivero, Pedro Galaraga, Mathias Porras, Manuel del Rivero, Pedro Antonio Perez de Tagle, Juan Antonio Panelo, Enrique Olavide y Michelona, Pedro Iriarte, Demetrio Nazarre, Felipe Erquizia, José Pantoja, Sebastián Aramburu, Juan de Morera, Felipe Viera, Vicente, Flores, Pedro Echenique, and Rodrigo Sanchez. All of them Spaniards who settled first in Spanish America; there were no Americans.

<sup>27</sup> Carbajal to Gálvez, Manila, 31 May 1783. AGI *Filipinas* 975.

the Council <sup>28</sup> to serve as voters for the *prior*, consuls and members, names which are well-known to us now: Francisco Xavier Salgado, Juan Francisco Solano, Pedro de Galarraga, the Marquis of Montecastro, and other persons, all of prestige and wealth, fifteen of whom met in a meeting presided over by the Governor on 29 May 1771 in the Royal Palace of Manila. By secret ballot, the Marquis de Montecastro y Llana-Hermosa was elected *prior*, D. Jose Herrera Iglesias, first consul, D. Pedro Arteguieta, second consul, José Acevedo, José Francisco Roday, Francisco Xavier Salgado, and Alejandro Rodríguez Varela, delegates.

After the elected officials had been sworn into office the Governor declared the Real Consulado of Manila established. This event marked the existence of an institution that would consistently uphold the traditional trade with Acapulco and would speak for the opposition in succeeding years against any effort toward the improvement of the agricultural and mineral production of the archipelago and the encouragement of industry.

As representative of the commercial interests of Manila, the Consulado immediately issued a statement about its decadent position and pointed out the necessary reforms. This statement was sent to Spain through Governor D. Simón de Anda y Salazar.<sup>29</sup> The requests of the Consulado may be summed up in three points:

1. That the permit be increased to 300,000 pesos, without increasing the duties paid in Acapulco.
2. The change in various articles from the rules of their establishment which according to the merchants were against their interests.
3. If the increase in permit was not granted, they wanted permission to ship at the rate of 300,000 pesos annually, 10,895.312 pesos, 3 tomines and 10 granos which they were short of, as certified by the royal officials, their exports in the past years since the Regulation of 1734 came into effect. For this it was not necessary to increase the number of rolls but only their

<sup>28</sup> In the session of 2 May 1771. Testimony cited.

<sup>29</sup> Anda to the King, Manila, 18 January 1772. No. 23, AGI *Filipinas* 967.

value in a proportionate manner. They also asked that this excess should only pay a duty of 5% or 6% which would compensate the Royal treasury for the sums not received in previous years when the shipment in the galleon was incomplete.

The authorized party in Madrid, in defending the first petition, calls attention to the fact that the 500,000 pesos divided into 4 thousand rolls (bales) of 125 pesos each was determined on the basis of the prevailing prices in 1734, which were 150% lower than the current market price. Therefore, if in that year it was estimated that the condition of the Islands required one million pesos annually, then, in 1772, it would need two or three millions. Since the rise in prices was not confined to the Philippines but was found all over the world, it should be considered an enduring phenomenon and should be resolved accordingly by conceding to commerce the requested increase.

The following statistics are a good example of the rise in prices and include the buying price of the merchandise acquired from China and India.

Comparative Prices of Merchandise from China and India  
in 1736 and 1770<sup>80</sup>

<i>Articles from China</i>	Prices					
	1736			1770		
	<i>Pesos</i>	<i>Ts</i>	<i>Grs</i>	<i>Pesos</i>	<i>Ts</i>	<i>Grs</i>
1 dozen fans with ivory sticks		6	6			9
Ivory balls from 22 to 29 ounces		1	4			9
<i>Beobos</i> (biombos?) of 12 tablas	16					4
<i>Cambayas</i> (cotton goods)			2	1		2
Satin coverlets, painted (brocades?)		7		7		
Satin coverlets, embroidered, first class		13				16
Cotton hose			4			1
Embroidered silk waistcoat	1	3		10		
Ribbed silk from Canton of 48 varas (1 vara = 2.8 ft.)	3	2		18		
Lacquered wide damask of 16 varas	8			15		
Colored wide damask	4	4		12		
Blue grosgrain, 16 varas	2	4		11		

<sup>80</sup> AGI *Filipinas* 967.



Pico (1 pico = 137.5 lbs.) of					
Macan thread	25		68		
Fine flannel in blue		2	6	5	
100 varas of first class linen	1	6	6	2	
100 varas of second class linen	1	1	5	1	8
First class mop, 16 varas	5	4	14		
Second class mop	4		12		
Manufactured ribbons, 12 varas		2		2	6
Ordinary lines of 10-11 varas		7	2	3	
A thousand pozuelos finos	9		25		
A thousand fine cups	12		25		
A thousand A1 saucers	11		30		
A thousand plates, (middle-sized)	6		19		
Socks from Canton, first class		5	6	1	2
Socks from Canton, second class		3	6	1	
Stockings for women from Canton		2	6	5	
Ordinary stockings for children			9	1	
Lanquin blankets, 9-10 varas			3	5	
Socks from Chancheu, first class		3	6	1	
Socks from Chancheu, second class		2	6	6	6
Pequines of 8 parcels	6		10		
Pequines of 6 parcels	4	4	8		
Pequines of 4 parcels	3	4	6		
Shawls		1	6	1	1
A thousand wooden combs	1	4	5		
Lanquin plain satin, wide	4		18		
Pico of first class silk	140		326	4	6
Pico of second class silk	120		306	2	4
Pico of raw yellow silk	60		172		3
Pico of first class <i>quiña</i> silk	180		395	2	6
Pico of second class <i>quiña</i> silk	140		326	4	6
Pico of floss silk	130		275		
Pico of ordinary floss silk	70		206	5	
Pico of twisted (to the right) silk	130		360	7	6
Pico of twisted silk, ordinary	70		154	5	6
Pico of twisted (to the left) silk	45		103	1	
<i>Sayasayas</i> (skirts), plain		4	6	1	4
<i>Sayasayas</i> (skirts), med. thickness		6		1	6
<i>Sayasayas</i> (skirts), thick		4		2	
Velvet of 16 varas	9		17		

*Articles from India*

Cambayas (silk with gold and silver brocade from Bengala of 8 varas)	1		1		
Red cambayas		5	2	2	
Regular cambayas		3	1	5	
Pico of <i>camanguian</i> (material used for lining of dresses)	7		34	3	

Pico of cloves	80		137	4
A bag of cinnamon	2		233	1
Twisted cords, first class, 16 varas	1	4	4	
Medium fine twisted cords		6	3	4
Elephant cords, 40 varas	2		3	
Fine guaze, 22 varas	2	4	5	
Stripped denims from Guingon		3	6	6
Handkerchief from Bengala, 15 rolls		3	6	1
Pico of pepper	7		21	4
Red handkerchief, of 8 in rolls		3		2 3

A cursory reading of these statistics shows a very uneven rise; while the price of pepper is tripled that of cinnamon rises to the proportion of 1 to 116 1/2 and, on an average, the rise may be calculated at 165% for Indian goods and 147% for Chinese products.

The increase of the permit was granted solely for two years, reducing the amount to 250,000 pesos instead of 300,000 as requested but in 1779 the concession was extended to four more years with the payment of only 9% in duties instead of the 16 1/2% previously required. It was also provided that if the trade was slack and slow and within each of the six years the merchants could not fill the permit with its corresponding increase, this balance could be completed in the coming years.<sup>31</sup>

In 1782, the first galleon, the *San Pedro*, departed with 750,000 pesos worth of permit. It was lost at sea together with its passengers and crew and was never heard of.

Up to 1786, no galleon except the *San Andres* was fitted out with additional permit. Although this arrived safely at Acapulco, there was no fair that year due to the large accumulation of Asian goods in New Spain during the eight years following the establishment of free trade. Furthermore, the Royal Philippine Company had been established. That very year the Company sent its first ships to Manila and the merchants of Mexico expected these ships to bring to Veracruz the same goods that the galleons brought to Acapulco at a more advantageous price to them.

<sup>31</sup> Royal decree of 16 October 1779. AGI *Filipinas* 985.

In effect the increase in permit did not benefit the merchants of Manila until 1788.<sup>32</sup> To improve the commercial position of the country, the Consulado in that same year proposed to the Governor that the port of Manila be declared free and open to all nations.<sup>37</sup> This was the only point on which the Consulado and the Royal Philippine Company agreed upon and which the latter worked hard to attain. Aside from this, the history of the Consulado can be summed up as a long and stubborn defense of the monopoly of the commerce with New Spain, which is to be expected since it represented the interest of the shippers of the galleon.

The intention here is not to trace the history of this traditional commerce of Manila, which has been thoroughly treated by W. L. Schurz<sup>34</sup> but to emphasize the position of the Consulado which was always opposed to any innovation which might rival its interest. As Basco y Vargas pointedly wrote:

This commerce views with complete indifference and repugnance the companies of Madrid, the company of Ustariz and others who would impede their antiquated customs regarding the galleon and the *boletas*. . . . The commerce petitioned the King for an increase in the *permiso*. This was granted and although it cannot be filled up, they desired that Spain and Lima be opened to them, that there be more ships for Acapulco—all these and many more requests were granted by the generosity of the king; now, nothing interests them except the 500,000 pesos *permiso*. . . . This is neither commerce nor Consulado except in name. A dozen merchants in charge of the management of the *obras pías* control the mechanics of this system, they resort to all means, they impart to all their conservative ideas and worst of all, is that they have also managed to spread these to Spain. Therefore, it should not be a surprise that the Philippines should decline. In the meantime the decline will continue unless people from abroad with funds and determination to develop this part of the globe, which only awaits guidance to impart to man its vast natural resources, come to form a new commerce and consulate under another management because the present one is composed of more than one hundred in-

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<sup>32</sup> Miguel de Orbaneja, representative of the Consulado of Manila, to the King, Madrid, 16 July 1788. AGI *Filipinas* 985.

<sup>33</sup> The Consulado, in reply to the official letter of D. Félix Berenguer de Marquina, 7 August 1788. MNM, ms. 135, doc. 6°.

<sup>34</sup> *The Manila Galleon*, New York, 1939.

experienced members in the business who are poor and miserable, whose every meeting is a bewilderment and who neither understand each other nor the better rules of the business world.<sup>35</sup>

Many years later, the Royal Philippine Company in defending its new plan, as proposed in a draft for a royal decree,<sup>36</sup> bitterly attacked the Acapulco trade, and tried to obtain the "suppression of such a monstrous concession" because it prevented the citizens of the Philippines from engaging in agriculture, mining and industry which would enable them to enrich themselves with very little capital. Besides, the benefits of the galleon trade were extended to only one hundred persons in the capital and not to the rest of the inhabitants of the country. However, the power of the Consulado was such that at this juncture even the company did not attempt to propose that such a commerce be abolished except to ask that it be allowed to send its ships to Acapulco. This redounded to the same thing, and this was how the Consulado understood it, when formerly it considered the creation of the company as the cause of its failure. This bitter controversy between the two institutions was not settled in the XVIII century but in the next. The galleon trade ended in 1815 but the Company at this time was also in total decline and outlived the former by only twenty years.

#### DIRECT COMMERCE WITH SPAIN

As mentioned previously this commerce began with the annual trips made in 1765 on the initiative of Charles III. It is clear however, that the volume of this trade, as reduced to a ship or the cargo of a warship, was very limited. Hence its importance lies solely in the value of such trips which travelled through Southern Africa, as proposed by Norton Nichols in 1759 and later by Francisco Leandro de Viana in his *Demostración*. These royal ships introduced in Spain the products of areas hitherto neglected by her people and helped

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<sup>35</sup> Basco to Gálvez, Manila, 10 May 1780. V. R. No. 17. AGI *Filipinas* 497.

<sup>36</sup> Madrid, 5 April 1790. Arguments or defense of article 20 of the same. AGI *Filipinas* 984.

create a climate of interest in favor of the archipelago. This paved the way for the creation of the Royal Philippine Company, established two years after the trip of the *Asuncion* in 1783, which ended the series of these voyages.

In the first chapter of our study, we mentioned the strong hostility which greeted the *Buen Consejo*, the first ship to reach Manila directly from Cadiz. This hostility persisted during the eighteen years that the voyages were carried on. Finally they were able to have the trips suspended. But as already indicated, these trips brought the islands closer to the metropolis and stirred up interest for the Philippines. This statement is confirmed by the manifest of the cargo on the ship *Juno* which made its trip in 1777.

Account of the cargo taken from the Port of Manila aboard H.M. Ship *La Juno* under the command of D. Pablo Vicente Lasaña, Captain of the Navy, and Paymaster D. Francisco de Paula Bermudez, which arrived in said port yesterday, namely:

- 57 rolls of satin
- 4,811 pairs of white socks
- 2 embroidered tapestries
- 19 rolls of Loes
- 38 rolls of Rengues (cloth similar to gauze)
- 2 rolls of Pequin (silk serge)
- 10 rolls of Lustrin (beautiful cloth usually silk and used in churches)
- 2 rolls of Mansin
- 44 rolls of Sayasaya (fabric similar to taffeta from China)
- 1 roll of Burato
- 4 rolls of silk
- 5 rolls of Lausin (felt)
- 12 robes of Lustrin
- 3 cuts of embroidered satin robes
- 1 cut of embroidered skirt in black velvet
- 5 vestments of embroidered satin
- 4 rolls of small silk cloth
- 30,000 nutmegs
- 3,905 lbs. of pepper
- 131 lbs. of cinnamon
- 41,275 pieces of porcelain bricks
- 6 big jars
- 6 saucers of mother of pearl
- 6 small cups of mother of pearl

- 450 picos of sibucáo
- 2 boxes of chinese ink
- 4 boxes of Lanequin ink
- 10,737 lbs. of wax
- 48 wrought shells
- 7 boxes of tea
- 15 cates (1 cate = 0.633 kg.) of tea
- 1 small box of tea
- 10,680 rolls of *guinaras*
- 10,230 bamboo fans
- 4 filigreed fans
- 7 fans of mother of pearl
- 24 fans of tortoise shell
- 4 fans of ivory
- 3 sets of painted trays
- 76 sets of painted paper
- 12 sets of the same for cabinets
- 7 ivory boxes for games (*juego de marfil*)
- 2 lacquered boxes
- 11 sewing boxes
- 1 screen
- 1 filigreed dressing table
- 1 lacquered dressing table
- 340 arrobas of sugar (1 arroba = 25 lbs.)
- 10 varas of punta de plata (silver prong)
- 2 tortoise boxes with silver filigree
- 2 silver boxes
- 1 gold box
- 1 gold rapier
- 1 silver rapier
- 1 silver buckle
- 1 cane with silver handle
- 1 handle of a cane with stones
- 1 earring with flattened diamond

Cadiz 28 July 1777, Francisco Xavier de Morales<sup>37</sup>.

The samples of various fabrics, which appear in the manifest, the spices and other objects, slowly made the Spanish merchants realize the possibilities which this commerce offered.

### *The Agencies of the Five Companies and of the Company of Ustariz*

It should be noted that as part of the attempt to establish direct commerce between Spain and the Philippines, the

<sup>37</sup> AGI *Indiferente*, General 1549. ARAF 1958, No. 3, pp. 273-74.

royal decree of 12 June 1776 provided that the *Cinco Gremios Mayores de Madrid*, a commercial company of great importance at this time, should send two agents to Manila aboard one of the frigates which sailed from Cadiz. The purpose was the establishment of commercial relations with the Philippines and to this effect the agents were to bring enough funds with them to purchase goods and were granted lading space for their transportation at moderate fees aboard the King's ships. They were also permitted to charter their own ships, in the event that, once they realized the possibilities of this commerce, they might wish to expand it.<sup>38</sup>

Accordingly, in 1777 the *Cinco Gremios* sent to Manila aboard the *Astrea* 1,005,760 *reales* and 7 *maravedises* in funds and merchandise. However, a strong typhoon prevented the trip and the ship had to return to Cadiz from whence it sailed again at the beginning of the next year together with the storeship *Santa Ines*. This time the *Gremios* took the precaution of dividing the merchandise between the two ships which also brought their agents D. Francisco Antonio del Campo and D. Pedro Antonio de Ezcuza.<sup>39</sup>

In 1779, the *Cinco Gremios* sent 502,332 *reales* in silver coins through the *Juno*, and several goods worth 96,288 *reales* in silver on the *San Francisco de Paula*. With this capital they started their commerce. One of their agents moved over to Canton while the other remained in Manila.

The company requested and obtained ships for their direct return trip to Cadiz, to enable them to send the Canton goods which they had accumulated in Manila. They also succeeded in participating in the distribution of the boletas for the Acapulco galleons just like any member of the Consulado in Manila.

The first trip to Cadiz took place in 1780, under the care of Ezcuza who realized the complete sale of the Canton dry goods and obtained 130,000 pesos. This sum was sent to Manila

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<sup>38</sup> Capella, Miguel y Antonio Matilla Tasco, "Los Cinco Gremios Mayores de Madrid. Estudio Crítico-Histórico." Madrid, 1957, p. 302.

<sup>39</sup> AGI *Indiferente General*, 1.622.

in the care of D. Juan Manuel de Urrieta who went to the Philippines as the third agent of the *Cinco Gremios*.<sup>40</sup>

It seems that the trade with Acapulco yielded them great profits and the concession of privileges led them away from the objective determined by the King. Instead of engaging in direct commerce with Spain and developing the products and industry of the country, they expanded their trade with New Spain and loaded at least a fifth part of the galleon in 1783.<sup>41</sup>

The director of the Economic Society of Manila, González Carbajal, on informing Galvez of this state of affairs, proposed that the activities of this company be directed towards the exploitation of the iron and copper mines, the manufacture of indigo and sugar, and the promotion of the textile industry. In this way they would be prepared for choice cargoes for Cadiz. By establishing agencies in Ilocos, Camarines and Iloilo, they could sell a variety of goods from Spain.<sup>42</sup>

The *Cinco Gremios* were able to carry on the commerce with the Philippines in their own ship *Nuestra Señora de las Nieves* even after the organization of the Royal Philippine Company. However, they were never able to establish it on a solid foundation.

When the Royal Philippine Company was first established, the *Gremios* were obliged to subscribe to shares amounting to thirteen million reales, the larger part in cash and goods which they had in the Islands.<sup>43</sup> From the moment the Royal Philippine Company started its commerce with the archipelago, the operations of the *Cinco Gremios* began to lose importance and their assets in Manila were liquidated in 1841.

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<sup>40</sup> The *Cinco Gremios* requested the King in 15 October 1781 to order the Virrey of Mexico not to obstruct the return of said amount to Manila. Three days later a royal decree confirmed said request. Cf. Capella, Miguel, "Los Cinco Gremios Mayores de Madrid", p. 303.

<sup>41</sup> Carbajal to Gálvez, Manila, 22 December 1783, no. 5. AGI *Filipinas* 593.

<sup>42</sup> *Ibid.*

<sup>43</sup> AGI *Indiferente General* 1.623.



Another commercial enterprise that had an agency in the Philippines was that of Ustariz, San Ginés and Compañía de Cádiz.<sup>44</sup> By royal decree of March 1779 it obtained rights for free entry in the Philippines of silver products and goods which it could ship on its own account in two ships which it was authorized to send every year.<sup>45</sup> A little earlier another royal decree<sup>46</sup> was sent to the Governor of the Philippines to help and protect the expeditions of said company. Basco y Vargas carried out the order faithfully and defended it against the Consulado. The agents of Ustariz considered sending their ship *Hercules* to Canton to load goods which they would resell in Lima or in Acapulco inasmuch as the war prevented the trip to Spain via the Cape of Good Hope. Such a project aroused the bitter opposition of the Consulado. However, the governor authorized the departure of the ship considering the fact that if the company could not recover its losses with this trip due to its inability to send its ship to Spain, it would stop supporting its agency in Manila which greatly benefited the country.<sup>47</sup>

In short, the establishment of these two commercial companies in Manila was another attempt during this period to develop the economy of the Philippines and to promote commerce between the country and Spain.

### *The Commerce of the Philippine Company*

Along the same lines, there was the establishment of the Royal Philippine Company, although the importance of this enterprise was much greater and the proposed objective far more ambitious as already indicated in previous chapters. The purpose here is to dwell solely on the commercial activities that were directly or indirectly promoted by the company.

<sup>44</sup> Archivo del Ministerio de Hacienda. Colección de Ordenes Generales, v. 23, fol. 53.

<sup>45</sup> Basco to Gálvez, Manila, 1 December 1779. Acknowledges receipt of the royal decree. AGI *Filipinas* 495.

<sup>46</sup> On 21 February 1779. Basco to Gálvez, Manila, 1 December 1779, No. 177. V. R. AGI *Filipinas* 495.

<sup>47</sup> Basco to Gálvez, Manila, 10 May 1780. V. R., No. 17. AGI *Filipinas* 497.

In the years 1785 and 1789, this company sent a total of 10 ships to Manila; 1 in 1785, 4 in 1786, 2 in 1787, 3 in 1788. These ships were loaded with foreign merchandise and passengers which yielded a net profit of 238,742 pesos and 1 real during the said years.

The return trip of nine shipments of goods from India, China and the Philippines amounted to 81,836,632 pesos and 11 reales and realized a profit of 4,304,545 pesos. In examining the registry of these ships the following conclusions are made:

1. The principal articles of trade were cotton and silk.
2. Up to 1787, they brought a total of 835 rolls of Philippine fabrics and this shipment, although reduced to 150 rolls, was maintained the following year and listed in the registry under a separate column "Goods from the Philippine Islands," which continued to appear in the succeeding years. In 1789, 171 rolls of "rayadillos" of silk were sent on the frigates *Rufina* and *Dolores* and 236 rolls of the same fabric on the *Nieves*.

In the same year, the *Concepcion* brought 200 rolls of fabric from the islands, 42 velvet bedspreads, 500 lbs. of cotton thread and 547 of silk. In 1790, 916 lbs. of the latter were sent together with the following fabrics:

- 3 pieces of silk embroidered bedspreads
- 21 of stuffed silk
- 5 pieces of white silk
- 8 of quinomis
- 6 of terlingas
- 8 of cambric
- 80 of towels
- 29 of cotton quilt
- 370 of algodón pvilo

Besides, the same registry included 135 ounces of civet (perfume), 34,225 lbs. of indigo, 80,000 of sugar, 1,000 of wax, 366 of pepper, 244 of nutmeg, 12,740 shells and 2,050 quintals of sibuc o timber. These figures disclose the progress of Philippine industry and agriculture over the previous years discussed earlier.

Below are some statistics on the current commerce with Spain, initiated by the Company, in cinnamon, pepper and indigo; the last one was obtained entirely in the Philippines while the rest of the products, with the exception of a small consignment of pepper, came from other countries.<sup>84</sup>

## CINNAMON

<i>Date of Departure</i>	<i>Arrival</i>	<i>Ship</i>	<i>Weight in lbs.</i>	<i>Destination</i>
12-I-1787	14-IX-1787	Placeres	66,200	China
12-I-1787	14-IX-1787	Nieves	90,780	"
12-I-1787	7-III-1787	Aguila Imperial	74,276	"
29-XI-1787	17-V-1788	Astrea	48,113	"
12-I-1788	4-VII-1788	Rey Carlos	75,000	"
6-I-1789	25-VI-1789	Rufina y Dolores	80,000	"
13-II-1789	20-VII-1789	Nieves	60,000	"
9-II-1790	17-VIII-1790	Rey Carlos	134,000	"
<i>Total</i>			588,459	

## PEPPER

<i>Date of Departure</i>	<i>Arrival</i>	<i>Ship</i>	<i>Weight in lbs.</i>	<i>Destination</i>
12-I-1787	14-IX-1787	Placeres	54,708	Malabar
12-I-1787	14-IX-1787	Nieves	24,662	"
12-I-1787	17-III-1788	Aguila Imperial	85,000	"
29-II-1787	17-V-1788	Astrea	41,600	"
12-I-1788	4-VII-1788	Rey Carlos	65,000	"
6-I-1789	25-VI-1789	Rufina y Dolores	18,000	"
13-II-1789	20-VII-1789	Nieves	265	Philippines
9-II-1790	17-VIII-1790	Rey Carlos	366	"
<i>Total</i>			289,601	

## INDIGO

<i>Date of Departure</i>	<i>Arrival</i>	<i>Ship</i>	<i>Weight in lbs.</i>	<i>Destination</i>
12-I-1787	14-IX-1787	Placeres	7,175	Philippines
12-I-1787	14-IX-1787	Nieves	7,175	"
29-XI-1787	17-V-1788	Astrea	2,083	"
12-I-1788	4-VII-1788	Rey Carlos	1,100	"
6-I-1789	25-VI-1789	Rufina y Dolores	22,975	"
13-II-1789	20-VII-1789	Nieves	11,600	"
9-II-1790	17-VIII-1790	Rey Carlos	34,225	"
<i>Total</i>			86,333	"

<sup>84</sup> The following data were taken from the complete registry of the cargo of the frigates of the Company.

These figures and the complete registry of the shipments in the ships of the Royal Company are sufficient to show what the enterprise could have accomplished if it had received the co-operation and support of the Consulado of Manila instead of having to struggle against its opposition.

Nevertheless the opening of the port of Manila initiated an activity hitherto unknown. However, it suffered a setback during the war against the British in 1796 due to an alliance between Spain and the Directorate of France signed in San Ildefonso on 18 August of the same year. At the end of this war, the port of Manila increased its activity although the conditions of the metropolis were less favorable. During the remaining years of the eighteenth century and the beginning of the nineteenth Spain first attracted by Napoleon and later fighting against him could hardly be bothered with her commercial relations with the Philippines. However, the strong ties had been formed and, after the unfortunate war of independence, a new era of prosperity began in the Archipelago.