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Philippine Economic Development Plans, 1746-1779*

MARIA LOURDES DIAZ-TRECHUELO

IT CAN scarcely be denied that ever since its conquest the Philippines constituted a heavy financial liability for Spain. But the Spanish government was determined to retain it at all costs, and this meant sending a yearly subsidy from Mexico to pay the salaries of the civil and military officials assigned to the colony and the stipends of the clergy, as well as to support the Christian missions and take care of other expenses of the colonial treasury. At the same time, in order to provide the Philippines with "the means of subsistence" (a recurrent phrase in the official documents), it was considered necessary to grant the colonists a monopoly of the China trade, though limited to a single port, Acapulco, and a single trip, the yearly galleon.

The Spanish government was never happy about this anomalous situation; but although everyone was convinced that the Philippines was a potential source of wealth for the mother country, no one could produce a satisfactory solution to the problem. For three decades of the sixteenth century and the entire length of the seventeenth nothing was done.

In the beginning of the eighteenth century the accession of the Bourbons gave a new orientation to Spanish administrative and economic thought; and the new ideas, though with

* This is the second of a series of five articles by Miss Díaz-Trechuelo. It is translated from the Spanish by H. de la Costa.

the usual time-lag, eventually reached the Philippines. As a result, the second half of the century saw a proliferation of development plans which must be considered as part of a serious effort to raise the colony from its state of economic stagnation.

The projects we are about to study are all aimed—with varying degrees of practicability and familiarity with the facts—at exploiting the natural resources of the Philippines. Most of them were drawn up by men who were actually in the Philippines at the time, or who had been there, and who may therefore be assumed as having had some acquaintance, however slight, with the realities of the situation. Some of them were foreigners, such as the Irishman Bagge and the Englishman Norton Nicols; others were Spaniards of prominence such as Francisco Leandro de Viana, Simón de Anda y Salazar, José Basco y Vargas, Francisco Muñoz San Clemente, and others. We even have a proposal of a commercial route to the Islands by way of Cape Horn which was put forward by a *savant* who had never been to the Philippines, Juan Bautista Muñoz; we shall consider it in due course.

Most of these plans center around the idea of forming a chartered company trading to the Philippines, an idea suggested by the economic theories of the period and rendered fashionable, so to speak, by the chartered companies already in operation elsewhere. Our study must therefore take into account the reputation for success which the great English, French and Dutch companies trading to the East Indies then enjoyed. Although the prosperity of these companies was more apparent than real, they served as an inspiration to the Spanish economic planners who were unaware of the actual state of their finances. For this reason they are a prime consideration in all the Philippine projects, beginning with that of Richard Bagge, submitted in 1746, which we shall take up first.

BAGGE'S PROJECT

We have little information about this Irishman in the Spanish service, who had doubtless come to Spain like so many others as a result of religious persecution and political

disturbances in Ireland. We do know that he was a seaman, for as master pilot of the Manila-Acapulco line he navigated the galleon of 1740.

Six years later, in Manila, he drew up a commercial project around the formation of a trading company by the Confraternity of Mercy of Manila and the Venerable Third Order, both of which institutions had capital funds from which they lent money on interest to the Manila merchants trading with Acapulco. Manila residents with funds to invest could take out shares in the company, and a one-fifth interest would be reserved to the Crown. Unlike the other projects we shall examine, Bagge's proposed company would trade neither with Spain nor with New Spain, but would devote itself exclusively to a two-way trade with China, where many Philippine products, such as cocoa, sea-slug, camphor, sea-shells, pearls, and gold would have a profitable sale, and from which cotton goods, silk, porcelain—in short, all the commodities with which China had supplied the Philippines from the beginning—could be imported.¹

Bagge also suggested the cultivation of the silkworm in the provinces of Cagayan and Ilocos, "where the natives devote themselves to weaving", as this would in great part supply local demand and thus reduce imports. Another industry which could well be developed, according to Bagge, was the mining of saltpetre, a necessary ingredient of gunpowder which could be found in abundance in the Philippines.

The realization of this project would, in the view of its proponent, promote the economic development of the country in three ways: (1) the natives would thus be provided with an incentive to production, even to the point where the textiles shipped every year to Acapulco would be manufactured in the Philippines itself; (2) the money sent annually from Mexico, instead of flowing out again into foreign pockets, would remain to enrich the Islands—and in this connection Bagge reckons at 300 million pesos the total amount of money which had been poured into the Philippines from the first coming of

¹ Bagge's project, dated Manila, 27 February 1746, is to be found in Archivo General de Indias (AGI), *Filipinas* 228.

the Spaniards to his day; (3) a notable improvement in the net income of the government, for not only would there be an increase in customs revenue, but a reduction of expenditure, since it would no longer be necessary to finance the yearly voyage to Acapulco; not only that, but the ships of the proposed company could be used as the need arose for the defense of the Islands, particularly against the Sulus, Camucones and other raiders who compelled the government to fit out expensive coastguard flotillas every year.

Bagge's plan was favorably endorsed by the *fiscal* (legal counsel) of the Council of the Indies, whose opinion was that it might serve "at least to stanch the torrent of silver that has flowed and continues to flow from Acapulco, only to be dissipated among the nations of Asia."²

FATHER JOSE CALVO

The next project, in point of time, which we must consider is that submitted to Gálvez in 1753 by the procurator of the Philippine Province of the Society of Jesus, who composed it while in Mexico. After giving an account of the natural riches of the Philippines, Father Calvo proposes as a universal remedy for all the economic ills of the colony the creation of a company, but one quite different from that envisaged by Bagge, since it would be organized in Spain and would have for its object the exploitation of the agricultural and mineral possibilities of the Philippines with a view to direct trade with the Peninsula. His model was the abortive company conceived by Patiño in 1733, which was authorized by royal decree but was never actually brought into existence.

According to Father Calvo, the nub of the Philippine problem, the root cause of its economic ills, was the perverse organization of its commerce; to this he attributes the fact that although 188 years had passed since the conquest and millions of pesos had poured into the Islands from Mexico, there had not been founded in the Philippines a single hereditary estate. He concludes that as long as the existing system of trade remains in force "there can be no change in this state

² Endorsement appended to the copy cited above.

of affairs, and a case can always be made out for abandoning those Islands; not because they are unprofitable in themselves, but because they are made to appear such (when the very opposite is the truth) by those who, in order to enrich themselves in their own way, fall so far short of their duty as loyal subjects as to use every means to impoverish the Crown."³

Father Calvo confidently asserts that his company could, within six or eight years, effect a significant increase in the colony's production. A start could be made at once with gold and cinnamon. Unfortunately, as we shall see later, this was more easily said than done.

He proposes, further, that the tribute-paying natives be obliged to devote a portion of their farms to pepper, cloves, cocoa and the mulberry tree. With this last, by importing the silkworm from China, a cottage silk industry could be developed, for in the Philippines the cocoons could be gathered three times a year. This would give gainful employment to the women, and Father Calvo was confident that in a few years it would no longer be necessary to import silk. For this reason, although the projected company would have to be authorized at the outset to purchase China silk for the Mexican market, this authorization would only be for a limited period; until such time, that is, that the silk and cotton industries of the Philippines should be sufficiently developed. With a view to this development, master craftsmen should be brought over from China and the Malabar Coast; they ought not to be difficult to find if good wages were offered. Two effects would immediately follow: (1) the gradual diminution of trade with China would oblige the Philippines to purchase more goods from Spain, to the advantage of Spanish industry; and (2) direct trade between the Philippines and Spain

³ "Proyecto que hace a S.M. el P. Joseph Calvo manifestando el engaño del descrédito en que unos pocos no verdaderos vecinos de las Yslas Philipinas, encomenderos de chinos, extranjeros, y de los de México, por su interés obligan a S.M. a gastos excesivos, privando a España y a las Yslas de muchos bienes que pudieran gozar por medio del comercio, mediante la opulencia de sus riquezas en minas de todos metales y frutos", AGI *Filipinas* 119 (original) and Biblioteca de Palacio, Madrid (BPM), *Miscelánea de Ayala* V, 330-339 (copy).

would encourage emigration from Spain to the Philippines, and this increase in the Spanish population of the Islands, by increasing demand for Spanish commodities, would in turn intensify the trade.

The new company would enable the royal treasury to effect an immediate saving, for since communication and commerce with the Philippines would be assured by the company's ships, it would no longer be necessary for the government to equip and dispatch the Acapulco ship, a yearly expense so great that it swallowed up the entire revenue of the Islands from taxation and other sources.

Another saving would be that of the *situado* or subsidy, for the increased earnings of the royal treasury in the Philippines would enable it to pay the salaries of the colonial civil service, the expenses of the military establishment, etc. Moreover, the royal fifth on newly mined gold and sales taxes on newly developed products would represent new sources of revenue. It would no longer be necessary, as hitherto, to export Vizcayan iron to the Philippines. The direct voyage from Spain would effect a great saving in the transportation cost of all merchandise, and, with the cessation of the Manila-Acapulco line, the salary items for the treasury officials and captain of the port of Acapulco could be abolished.

The advantages to Spain would be certain and immediate. Spices, at least cinnamon, nutmeg and pepper, could henceforth be supplied by the Philippines, with the result that the money spent yearly on these commodities would remain within the empire instead of going to the Dutch. Also, the river of silver that streamed out to China year after year would change its course to seek the mother country, flowing through Veracruz instead of Acapulco.

The advantages to the Islands would be no less considerable, the first and most important being that it would acquire a stable Spanish population which would strike roots in the country. Some will devote themselves to mining, others to agriculture, still others to industry, thus laying the foundations of family fortunes—a development which had taken place

in America but not, so far, in the Philippines. Trade, even the retail trade, would pass to Spanish hands, for since it is only silver that drew the Chinese to the country, they would abandon it in the measure that silver became more difficult to obtain. The natives, released from the yoke of forced labor imposed upon them by the need of timber for the galleons, would be able to devote themselves to agriculture and industry. The ready market they would find for their products would provide them with stimulus, so that in a few years they would be able to pay more taxes.

As for the route to be followed by the company's ships, Father Calvo suggests that it be by way of Cape Horn, through Le Mayre's Passage—a proposal that we shall see repeated in subsequent years. He believes this route to be easier and safer than that by way of the Cape of Good Hope, relying in this on the testimony of John and Theodore de Vries who claimed that the voyage from Europe to the Moluccas by this route took only seven months. He also cites Father Acosta as saying in his *Natural and Moral History of the Indies* that a ship that set out from Callao for the Philippines in 1584 logged 2700 leagues in two months without encountering calms or storms, the course she followed being always "below the Line", that is, in the southern hemisphere. This assertion was verified by the brothers Nodal in a subsequent voyage.

Father Calvo mentions the Island of Maldonado on the River Plate as a possible port of call on this route, "and thereafter as many as one likes in *Terra Australis*, which begin immediately below the land to the north of the said strait [Le Mayre's]"—a statement based on the mistaken notion, common at the time, that a great continent stretched across that part of the South Pacific Ocean.

NICHOLAS NORTON NICOLS

Some six years later an Englishman naturalized in Spain submitted to the King a project somewhat less utopian than that of Father Calvo. Before we examine it, however, a few biographical details regarding its author will not be amiss.

Norton says of himself⁴ that "he was born in England of one of its most prominent families," that he was raised in the Protestant faith, but as a result of the dealings he had with the Spaniards with whom he came into contact as a merchant, he came to know and to embrace the Catholic religion. If we may judge from expressions scattered through his writings, his conversion was sincere. We know that he spent some time in the Philippines during the governorship of the Marquis of Ovando (1750-1754) whom he knew personally. In 1757 he was back in Spain, for in this year he filed a petition for naturalization. The petition was granted by a royal *cédula* of 3 August 1758⁵ which also gave him permission to return to the Philippines for the purpose of raising cinnamon and other crops in the province of Zamboanga. We also know that he did not leave Spain until the end of 1760, arriving in the Philippines in July of the following year, where he died shortly afterwards.

Norton clearly had a twofold object in presenting his project. The first was to provide an argument in favor of his petition for naturalization; the second to secure government support for a detailed plan of developing Mindanao cinnamon as well as pepper and other spices, and establishing a direct trade route to Spain by way of the Cape of Good Hope. This is why he endeavors to show that has first-hand experience of everything he talks about, and prefaces his account of the natural resources of the country with the claim that "every statement I make is based on my own personal knowledge." And later, when he comes to the second point of his program, namely, how to develop these resources, he insists that "all I am about to say on this subject is derived from the great fund of experience I have acquired."⁶

The advantages of stimulating production in the Islands, Norton points out, are obvious. Imports could then be paid

⁴ In his petition to the Crown for naturalization papers (undated, but from other indications 1757), AGI *Filipinas* 119.

⁵ AGI *Filipinas* 680.

⁶ "El comercio de Manila; las conveniencias, beneficios y utilidad que las Yslas Philipinas deben de dar assí a S.M. (quien Dios guarde) como a sus vasallos", BPM *Miscelánea de Ayala* II, 254-271.

for with local products instead of money. At the same time, the exportation of local products would encourage the inhabitants to cultivate the land more intensively, thus increasing their own income as well as that of the royal treasury, since they will be in a better position to pay the tribute. Furthermore, the increased profits accruing to the Manila merchants, who would manage this import-export trade, would tend to increase the revenues derived from customs duties.

Norton goes on to show in broad outline that the Philippines does not need to be a burden to the Crown, but can be made profitable if a well conceived development plan is adopted. This brings him to his principal proposal, which is that he be authorized to engage in the cultivation of cinnamon in Mindanao, where it is found in such abundance. He presents a series of projections and estimates which leave no doubt—in his mind, at least—that the cinnamon of the Philippines can become the equal in every respect of that of Ceylon, which sets the standard for this commodity, “provided it is properly cultivated, and this I have already done experimentally.” But this was too sanguine a prediction; we shall see later how many attempts were made to improve the quality of Philippine cinnamon, all of them unsuccessful.

However, Norton’s enthusiasm knew no bounds. He was convinced that in five or six years the Philippines could be the supplier of this commodity not only to Spain but all the Indies, with something left over to export to foreign countries. Moreover, the product could be put on the market at a price much lower than Dutch cinnamon—forty to fifty per cent lower, in fact. The great importance that Norton gives to the cinnamon trade should occasion no surprise. We need only recall that at the time he presented his project Spaniards were consuming 16 million pounds of chocolate a year, in the preparation of which 400,000 pounds of cinnamon were necessary. At 58 rials *vellón* the pound, this meant 23,200,000 rials’ worth of cinnamon imports a year, a considerable sum for that period.

¹ *Ibid.*, fol. 264.

Pepper also figured in Norton's development plan. He believed that it could become an important export to the Scandinavian countries, from which Spain bought timber and cordage for the royal shipyards, paying for them in silver. Pepper, of which the Scandinavians consumed great quantities, would therefore effect a saving of many millions of rials.

As a necessary complement to this development plan, Norton also proposed a direct trading connection between Cádiz and Mindanao,⁸ plotting a route which carefully avoided, as far as possible, the necessity of stopping at ports controlled by other European powers. He makes allowance for only two such ports of call: Port Dauphin, at the southern tip of the Island of Madagascar, and the Island of Prinsen (Isla del Principe) at the entrance to Sunda Strait. The first leg of the outward voyage, Cádiz-Port Dauphin, could be negotiated in less than three months; the second, Port Dauphin-Prinsen, in one; and the third, Prinsen-Zamboanga, in only 12 days. The homeward voyage would follow the same track, but after rounding the Cape of Good Hope the ship could put in at Ascension Island, which abounded in turtles. Such was the trade route by which Norton proposed to bring to Spain the cinnamon and other products that could be raised in Mindanao (see map.)

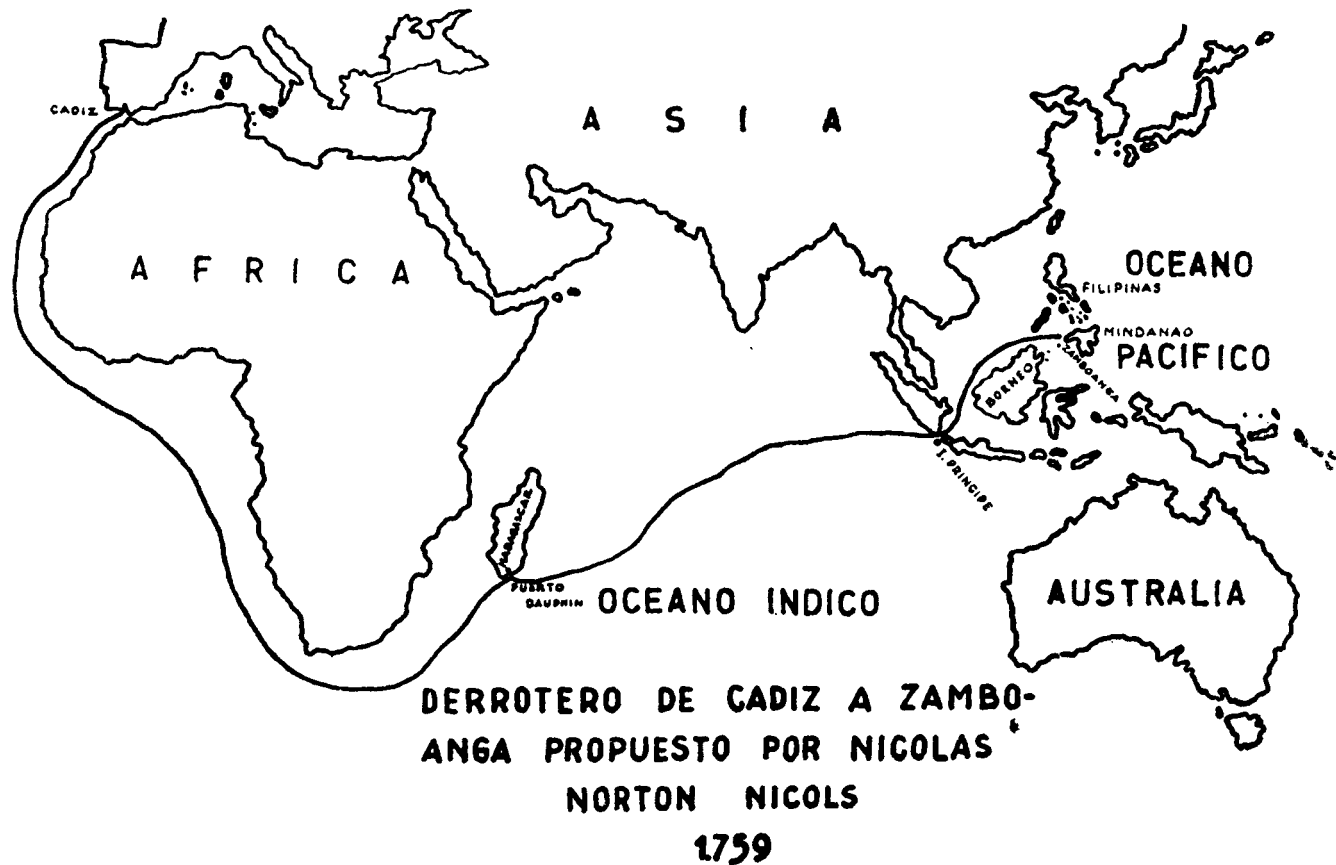
FRANCISCO LEANDRO DE VIANA

Francisco Leandro de Viana, one of the most important personages of his period in the Philippines, was appointed attorney-general of the Audiencia of Manila in 1756. It is outside our present scope to give a detailed account of his career. Suffice it to remark that Viana was not only an active and intelligent official, but an acute observer of what went on around him.

In 1760, when he had been only a few years in the Philippines, he submitted a report to the King⁹ which already con-

⁸ Submitted to Don Pablo Manuel Salcedo, *fiscal* of the Council of the Indies, with a covering letter dated Madrid, 18 March 1758, AGI *Filipinas* 610.

⁹ Manila, 5 June 1760, AGI *Filipinas* 610.



tained a survey of economic conditions. Little heed was paid to this report. The Attorney-General of the Crown, to whom it was submitted for comment, opined¹⁰ that it was insufficiently documented and hence that no legislation could be framed on its basis alone. He suggested that a copy be sent to the governor of the Philippines with instructions to apply suitable remedies to the evils mentioned in it.

This was done, and in 1765 Governor José Raón duly reported¹¹ that the abuses in the collection of import and export duties (*almojarifazgo*) denounced by Viana had already been eliminated by more effective regulations. As for the overloading of ships and the false cargo manifests which characterized the galleon trade, on which Viana had expatiated in his report, Raón transmitted the whole question, considering it sheer waste of time.

After the British occupation of Manila and Cavite (1762-1764) and their restoration Spain, Viana submitted to Acting Governor Francisco de la Torre a long and extremely interesting account of post-war conditions in the Philippines, together with specific proposals for the rehabilitation of the country.¹² The intrinsic value of this document, as well as the official position and personal qualities of its author, demand that we examine it in detail.

Its key idea, the supreme objective to which it was directed, was to put an end to the chronic deficit in the finances

¹⁰ 15 January 1762, *ibid.*

¹¹ Raón to Arriaga, Manila, 27 August 1765, *ibid.*

¹² "Demostración del mísero deplorable estado de las Yslas Philipinas; de la necesidad de abandonarlas o mantenerlas con fuerzas respetables; de los inconvenientes de lo primero y ventajas de lo segundo; de lo que pueden producir a la Real hacienda; de la navegación, extensión y utilidades de su comercio; con reflexiones que combencen la utilidad de formar una compañía bajo la Real protección para hacer feliz y gloriosa a la Monarquía española y privar a sus enemigos de las ganancias con que la destruyen en paz y en guerra; por Don Francisco Leandro de Viana, colegial del Viejo de San Bartolomé el Mayor de la Universidad de Salamanca", Museo Naval, Madrid (MNM), ms. 405. The document consists of 181 leaves and is dated Manila, 10 February 1765.

of the Philippines, and to convert that colony from a financial burden to a source of wealth. This was to be accomplished by the formation of a company of commerce with wholly Spanish capital which would establish a direct trading connection with the Philippines by way of the Cape of Good Hope. The idea was not new, since it had inspired the abortive company created by Philip V in 1733. Viana's proposal, however, was better thought out, and was based on a thorough study of its advantages and drawbacks; and although nothing was done about it in his time, we believe that Viana ought to be counted among the founders of the Royal Philippine Company, particularly since it is quite obvious that those who drew up the charter of that company were profoundly influenced by his ideas.

Viana's "Demostración" is, in fact, one of the indispensable sources of our study, since it is a comprehensive analysis of the state of the Philippine economy at a particularly critical period, namely, the end of the war with Great Britain. Viana devotes the first part of his work to describing the sad state of the Islands, the importance of preserving them, and the means by which this can be done not only without expense but even with profit to the royal treasury. He gives weighty reasons for not abandoning the Philippines, "which in the opinion of men of all nations is the most fertile, the most productive, the richest and the most pleasant land in the whole of the Indies." He calls attention to its strategic location and adds that suitably exploited it could make a substantial contribution to the wealth of Spain.¹³ To this economic argument he subjoins a political one: if Spain abandoned the Islands they would be gobbled up by the British, "who relinquished them with a keen appreciation and a covetous desire for the advantages which they offer."¹⁴ Control of the Philippines would enable them to expand their contraband trade with New Spain by way of the Pacific, and in case of war the entire Pacific coast line of Spanish America would be open to their

¹³ *Ibid.*, pt. I, cap. 2, no. 4.

¹⁴ *Ibid.*, no. 5.

attacks.¹⁵ We shall find this geopolitical consideration repeated in many documents of this period.

The first remedy proposed by Viana is to increase the tribute. He argued that it could well be increased since the tax burden imposed on the natives was minimal and obliged them to do hardly any work at all. Thus an additional advantage of increasing the tribute would be to banish or at least to lessen indolence among the natives. But in this matter of indolence the Spaniards of the Philippines were in no position to reproach the natives, since they themselves were just as lazy and shiftless. So at least thought Viana.

In view of the above, Viana proposes that only those be considered eligible for the office of petty governor and other municipal posts who plant and harvest a specified quantity of rice, wheat, sugar, cocoa, cotton, beeswax or some other product, depending on the region in question; and that land be taken away from those who do not cultivate them and given to those who will. Moreover, industrious farmers should be encouraged by exempting them from statute labor.

He proposes further that the salary of *alcaldes mayores* be increased. This would tend to improve the quality of applicants for this post. It would also ensure that they would not be tempted by the smallness of their pay to abuse their authority and engage in activities foreign to if not positively incompatible with their office, such as private trade.

So much for the first part of Viana's paper. The second part is of even greater interest, since it develops in detail his ideas on trade and navigation. He begins by showing that there is no disposition of the Holy See nor any treaty obligation which inhibits Spain from the free use of the Cape of Good Hope route to establish direct communication with the Philippines. He goes on to examine the advantages of such direct communication.

The first advantage is that it would bring the colony closer to the center of government and thus put an end to the

¹⁵ *Ibid.*, no. 9.

many abuses encouraged by tardy communications. It would also bring down the price of commodities such as iron, which the Philippines has hitherto been obliged to purchase from the Dutch, the Chinese or the British, when it can be got much cheaper from Spain, with the added advantage that the money paid for it would not pass to foreign hands. The same is true of lead, copper, gunpowder, bullets, bombs, grenades and guns, all imported from abroad "because of the lethargy of the Spaniards who, having the raw materials for all of these in the Islands themselves, seek them outside because they lack the enterprise to develop a mining industry."¹⁶ Incidentally, this was written after several attempts had already been made to operate mines on a paying basis, but unsuccessfully, as we shall see later on. Viana, however, makes no mention of such attempts, perhaps because the principal one was undertaken by Don Francisco Xavier Salgado, with whom he was not on good terms. Their story will be told when we come to treat of Philippine mining.

Another advantage of direct communication would be that the Islands would be better known, for many would be attracted thither from Cádiz in order to devote themselves to profitable pursuits; "this familiarity will breed a better knowledge of what the Philippines really is."¹⁷ Similarly, Philippine residents will be encouraged to travel to Spain and information will be exchanged much more rapidly, thus preventing a repetition of what happened in the last war, when the first news that it had broken out was the appearance in Manila Bay of the British fleet.

The long delay before the orders and decisions of the central government can reach the Philippines will be avoided by the new route, and the share of foreign nations in the commerce of the Far East will diminish as that of Spain increases. This commerce, which brings tea, porcelain, lacquered and rosewood furniture, and above all silk thread and textiles from China to Europe, is fantastically lucrative. The merchants engaged in it cause the Chinese artisans to imitate

¹⁶ *Ibid.*, pt. II, cap. 3, no. 4.

¹⁷ *Ibid.*, no. 5.

European manufacture, and sell the resulting products as European-made, thus making enormous profits, their cost price being much less owing to the cheapness of Chinese labor. These and many other imitation goods deceive no one in Manila and will deceive no one in Spain as soon as direct trade is established.

Under the system proposed Spanish vessels will set out from Cádiz laden with cottons, wines, hats, silk stockings, mirrors, tableware and other articles made of glass, paper, yarn, linen, cambric and other textiles, gold braid and cloth-of-gold and silver, all of which are currently being imported to the Philippines from Batavia at fancy prices. Importing these and many other manufactures directly from Spain will not only benefit Spanish merchants but bring down prices at Manila. But the ships will leave only a part of their outward cargo at the last-mentioned port. After taking in the products of the Islands which are most in demand in China, such as edible birds' nests, mother-of-pearl, sea-shells, cochineal, indigo and other dyes from Pampanga, edible sea-slugs, dried deermeat, deer sinews, leather, sappanwood, ebony and other woods, they will proceed to Canton and there exchange these products and the rest of their European cargo for the manufactures which have hitherto been brought to Europe by foreigners.

The favorable consequences of this trade to the Spanish empire as a whole are obvious. The expanded market for Spanish manufactures will promote industrial growth in the mother country, while the increase in Philippine exports will provide an incentive for a similar growth of its agriculture, its industry, and its economy as a whole. On their return from Canton the ships should call again at Manila in order to take in certain Philippine products which have a ready sale in Spain, such as *petates* or finely woven mats, palm-leaf hats, raw cotton, tortoise-shell, various kinds of wood, sappanwood. Cinnamon also, which can become an important article of trade if steps are taken to cultivate the wild cinnamon of Mindanao. Viana is here making the same confident prediction as Father Calvo and Norton before him, but as we shall see when we consider the actual process of agricultural development, it

was much easier to speculate about cinnamon than to produce it.

It was Viana's opinion that this trade pattern and many other enterprises that could be undertaken required the establishment of a company along the lines of the great Dutch, French and English East India companies. He was fully aware of the enormous difficulties that stood in the way of such a project, not the least of which was the aversion with which the Spaniards of his time regarded commerce. Many instances could be given of wealthy persons with coffers full of silver who spent little and saved much, but who for fear of losing their money would never think of investing it in any enterprise. It was an attitude born of complete ignorance of the laws and principles of economics.

For this reason Viana proposes that an East India company be organized under the patronage of the Crown. It would, in fact, be desirable that the King commit himself to the venture by taking up a fair proportion of the shares, as this would undoubtedly encourage the nobility to follow his example. Some of them may even be persuaded to abandon their easy-going ways in order to take an active part in the management of the company. At any rate, the company will afford employment opportunities for persons of every social class.

The benefits which the projected company will confer on the Philippines are incalculable. Viana encounters in all three kingdoms of Nature, animal, vegetable and mineral, useful articles which are either already being produced in the Philippines or which can be produced; the new company will expand production of the former and stimulate production of the latter.

Thus, the company's shipyards will be in the Philippines, for ship's timber abounds there as nowhere else. There is *molave*, which water hardens instead of rotting, for hulls; *guijo*, which is proof against shipworm, for keels; *mangga-chapui*, tough and flexible, for masts; *lauan* for yardarms; *banaba* and *tangili* for planking. The Ilocos region, where

much cotton is grown, can provide good canvas for sails. For rigging, there are no better fibers than *abaca* and *cabo negro*. *Bonot*, the fibrous outer covering of the coconut, can be used for caulking. Anchors, nails, guns and other metal objects can also be manufactured in the Philippines, at least those made of iron, for iron is to be found there in quantity. All that would be necessary is to resume operations on the existing mines, totally abandoned at the time of writing. Labor is cheap, abundant and skilled. The natives are quick to learn any craft; only master workmen need be brought over from Spain.

Once organized, the company can embark on large-scale enterprises beyond the capacity of individual entrepreneurs. Viana proceeds to enumerate the various agricultural and mining possibilities.

Having given pride of place to cinnamon, pepper and other spices, he mentions sugar next. It is already being produced in the province of Pampanga, but on a small scale. Production can be increased to such an extent as to meet the demand in China, Coromandel and Malabar, where sugar fetches good prices. Cocoa and coffee, grown for home consumption, can easily be produced in commercial quantities. Philippine rice and wheat will find markets in China, Siam, Cochinchina, Cambodia and even India. Tobacco, which grows everywhere in the Islands, is another export possibility. Indigo thrives in the Philippines. So does the mulberry tree; by importing the silkworm from China a silk industry can well be started. Cotton is raised in Ilocos, Cagayan, Camarines, Albay and the Visayas. Weaving is an industry in all these regions, but an under-developed one. If the company were to bring in good master weavers to train the natives, in a few years production can be increased at least to the extent of supplying the domestic market adequately, thus making it unnecessary to import textiles from the Chinese, Dutch and English. Besides iron, other minerals such as gold, sulphur and rock crystal await exploitation.

It should be clear from the above that although the Royal Philippine Company was not actually organized until twenty years after Viana's "*Demostración*", it adopted almost to the

letter many of Viana's proposals, including that of providing technical assistance to the underdeveloped Philippine economy. Viana's suggestion that a botanist be brought over¹⁸ was realized when the Company acquired the services of the eminent Don Juan de Cuéllar and sent him to the Philippines.

Viana says that a Spanish trading company will find a ready welcome everywhere in Asia, because everywhere in Asia the unit of currency held in the highest esteem is the Spanish silver peso. He observes, further, that while the private Manila merchant is held at a disadvantage by the Mexican buyers of Eastern goods, since he has to dispose of his shipment during the few days of the Acapulco fair, the projected company will be under no such disadvantage, since it will have sufficient capital to warehouse its inventory in New Spain and await a favorable opportunity for putting its goods on the market.

In the final chapter of his work Viana proposes an alternative trade route in case that via the Cape of Good Hope proves not to be feasible. This is the route across the Isthmus of Panama. The idea, as he himself admits, is not an original one, having been considered early in the seventeenth century in view of the difficulty of the Cape Horn route. But, as Veitia Linage noted,¹⁹ when the colonial officials at Panama were asked about the project, "they urged such mighty arguments against its being adopted that all discussion of it ceased forthwith." Still, Viana believes that it is time to reopen the question. The Isthmus is certainly a much shorter crossing than that through Mexico, and the Chagre River provides a convenient waterway between Portobello and Panama. Doubtless, Viana adds, the proposed company will undertake to make this waterway more navigable, and even "seek the most practicable method of connecting the two oceans, along with other devices whereby goods can be transported by water from one port to the other." It is with this proposal to build the Pa-

¹⁸ *Ibid.*, cap. 4, no. 37.

¹⁹ José de Veitia Linage, *Norte de la contratación de las Indias occidentales*, lib. II, cap. 13, no. 11; p. 639 in the Buenos Aires reprint of 1945.

nama Canal that Viana ends his treatise; a proposal that we shall see taken up by the first modern historian of the New World, Juan Bautista Muñoz.

REACTION TO VIANA'S PLAN

As noted above, Viana submitted his plan to Acting Governor De la Torre,²⁰ who, before sending it on to Spain, referred it for study and comment to a prominent Manila businessman well known for his economic development enterprises, Don Francisco Xavier Salgado. Salgado appended to the plan a whole series of notes, corrections, suggestions and remarks in which he did not trouble to conceal his dislike for its author, although it must be admitted that some of his observations had weight. It was with this appendix that the plan reached Madrid,²¹ where it was again referred to persons with first-hand knowledge of Philippine conditions. One was Don Pedro Calderón Henríquez, a member of the Manila Audiencia during the administration of Don Pedro Manuel de Arandía; the other, who had served on the same body with distinction, was Don Simón de Anda y Salazar. Anda, it will be recalled, had returned to Spain on board the *Buen Consejo* on her first round voyage to Manila via the Cape of Good Hope.

Anda had known and had dealings with both Viana and Salgado. He was therefore in a position to say, as he does in his report, that there was between the two men "a mutual jealousy beyond the ordinary."²² Considered simply in itself, however, Viana's plan had much to recommend it. "If we put into practice," said Anda, "I do not say the whole, but even half of what this plan proposes, there can be no doubt of the immense advantages that will accrue to the royal treasury, the Spaniards and the natives." His recommendation, therefore, was that since "this project can contribute much to the

²⁰ Letter of transmittal dated Manila, 20 March 1765, although the document itself is dated 10 February; MNM ms. 405, fols. 1-2.

²¹ Attached to a letter of Acting Governor De la Torre, Manila, 11 July 1765, AGI *Filipinas* 941.

²² Anda to Don Tomás de Mello, Madrid, 18 November 1768, *ibid.*

service of His Majesty and the good of those Islands," a copy of the same should be sent to the incumbent governor, at that time Don José Raón, with instructions that he gradually carry out those parts of the plan that could be undertaken in the Philippines.

SIMON DE ANDA Y SALAZAR

In his endorsement of Viana's plan, Anda mentions a project of his own which he drew up some months earlier, in July 1768.²³ He did so in response to an official inquiry requesting his opinion as to whether direct trade between Spain and the Philippines should be inaugurated or the traditional indirect trade by way of Mexico retained. Anda suggested that considering the damaged state of the colony and its commerce, no changes be made for the time being. However, after a few years had elapsed and the destruction resulting from the war with the British had been repaired, the question should by all means be considered with the advice of the governor and audiencia of Manila.

He adds that in the meantime it would be advisable to continue the Cádiz-Manila voyages inaugurated by the *Buen Consejo*. The ostensible reason for this annual voyage could be to bring troops, settlers and missionaries to the Philippines. Without any explicit declaration of a commercial interest, the ships could nevertheless make trial of the trade. Anda was confident that the results would be favorable, for he knew that "spices are easily obtainable, besides gold, indigo, rattan, high-grade cotton, beeswax, hardwoods, and many other articles" produced in the Philippines, and this without taking into account what can be shipped from China and the east coast of India. Note that Anda too came under the spell of what may be termed the Great Cinnamon Myth, exploded by the numerous subsequent attempts to grow cinnamon in commercial quantities in the Philippines, all of which ended in failure.

Anda points out that direct trade would put an end to the age-old rivalry between the merchants of Manila and Cá-

²³ Dated Madrid, 7 July 1768, AGI *Filipinas* 940.

diz by making their interests identical. He himself can bear witness that when the *Buen Consejo* arrived in Cádiz all the merchants of that port took a lively interest in the nature and cost of her cargo. And on her second voyage (in which she was engaged at the time that Anda wrote), some had ventured capital for the purchase of Eastern goods; so that if all went well it could be reasonably expected that a significant trade relationship would in time develop between Spain and the Philippines.

Of the latter Anda roundly asserts that "in the whole of his vast empire the King has no colony as rich in every way as the Philippine Islands, considering the gold and other precious commodities they produce." He adduces as proof the strenuous efforts of the Dutch and the English to obtain possession of them. But even if they had no natural resources whatever, their position on the map alone would justify all the treasure and energies expended to retain them. If the King were to let them go, he might just as well "cast off the Americas, which would be totally defenseless and open to attack from the direction of the South Pacific."

Anda with reason includes among the causes for the backward state of the Philippines the sparseness of its Spanish population. "Settlers are badly needed," he says. "During the period of almost two hundred years since the conquest, the only Spaniards there have been the few in Manila; there is not a single one to be found in the provinces." The most desirable settlers would be merchants, and Anda specifically asks for "junior clerks, or young men apprenticed to a firm", who "usually marry the daughters of their employees." Some of them will doubtless stay in Manila, but others will go to the provinces; in this way, gradually, the only guarantee of the peace and prosperity of a colony will be secured, namely, by settlement.

Anda ends his paper with the hope that work would be promptly resumed on the iron mine of Santa Inés, either as a government enterprise or by leasing it to a private company. He also proposes the development of a cotton textile industry. The natives practice weaving, especially in the provinces of

Ilocos, Cagayan, Camarines, Laguna and Visayas, but they do so in very rudimentary fashion, as they are unacquainted with the European loom.

Such in brief were Anda's ideas on Philippine economic development. His appointment as governor in 1770 gave him the opportunity to test them in practice.

VAN DAHL, VERGARA AND COMPANY

The year before Viana drew up his plan, a proposal was presented in Spain to organize a company which would engage in direct trade between Cádiz and the Philippines. The proponents were two Cádiz merchants, Bernardo Van Dahl and Pedro Tomás de Vergara. They undertook to develop the trade under the following conditions.²⁴

1. No limitations are to be placed on the number of ships that may be dispatched each year. The company may fit out as many as its funds will allow, but it engages itself to send out one or two a year from the port of Cádiz.

2. The company's ships are to be exempt from the payment of tonnage duty, the license to trade in foreign ports, and half-annates. They are to have the status of king's ships irrespective of size. They may be purchased or refitted, and they may take in stores, at the most convenient port.

3. The company may take in any type of cargo in Spanish and foreign ports, paying for foreign goods the ordinary duties in force in the Indies and for Spanish goods the ordinary export duties.

4. Each ship of the company may carry 350,000 silver pesos in cash for the purchase of Eastern goods. Unexpended silver may be exchanged for gold, which may be imported into Spain free of duty. The export of silver will also be duty-free.

5. The company may trade in the Philippines and other Eastern ports without being subject to the *alcabala* or sales

²⁴ "Proyecto o plan formado de comercio desde Cádiz en derecho para las Yslas Philipinas vajo de quinze condiciones que se ofrecen a S.M. para beneficio de los vasallos y su Real herario, en el presente año de 1764", BPM *Miscelánea de Ayala* II, 328-331.

tax for any purchases, sales or exchanges involving Eastern or European goods.

6. The cargoes of the company's ships will be exempt from inspection by the royal treasury officials in the Philippines. It will be sufficient to present to the governor the ship's manifest signed by the president of the board of trade at Cádiz.

7. The company is authorized to engage in the slave trade occasionally, that is, if its ships should be forced to put into an African port, and the opportunity for a suitable transaction offers itself.

8. The cargoes of the company's ships landed at Cádiz may be reshipped for American or foreign ports without paying export duties, in view of the fact that this will reduce the export of silver and develop new markets for Philippine products.

9. The company will pay a duty of 8% *ad valorem* on spices and all other goods imported into Spain, but will enjoy the usual exemption from the *alcabala* on first sale.

10. The company is authorized to construct or purchase ships in the Philippines and to man them, if necessary, with foreign crews.

11. The commissioners of the royal navy will have nothing whatever to say about the hiring and payment of the company's crews, and the company may if it sees fit take aboard its ships personnel familiar with the countries, navigation and commerce of the East.

12. The company may send a maximum of 500 tons of cargo on the convoy (*flota*) sent annually to Veracruz. If it is unable to send that much on its own account, it may make up the difference with merchandise shipped by private traders.

13. In exchange for these privileges, the company offers to transport to the Philippines free of charge missionaries and military stores destined for that colony.

14. These privileges will hold good for a period of twenty years, during which time the company will have the exclusive use of the Cádiz-Manila route, no others save the company's ships being permitted to make that voyage.

15. The port of Manila will be closed to all save the company's ships.

Such outrageous conditions were obviously unacceptable, and the company was refused a charter. The only reason we have mentioned it is to show that the idea of forming a company to trade directly with the Philippines was already being mooted not only in Manila but in Spain, although twenty years were to pass before such a company was actually organized.

VIANA AGAIN

Some years after the end of the war with the British, Viana was transferred to the Audiencia of Mexico, and during his incumbency there received the title of Count of Tepa.²⁵ In 1778 we find him in Spain, a member of the Council of the Indies. It was then that he composed an interesting paper,²⁶ the first part of which dealt with the traditional Manila-Acapulco trade and the second constituted a further development of the plan contained in his earlier "Demostración."

He begins by stressing the strategic value of the Philippines in the power politics of the period, basing his argument as Anda did on the efforts of the Dutch, French and English to obtain control of the Islands, efforts which showed clearly enough the importance of the Philippines in their strategic and economic plans. He calls to mind the British attempts to

²⁵ The concession of the title was notified by Don José Ignacio de Goyeneche to Don Manuel de Roda, Madrid, 12 December 1775, but it must have taken place much earlier, because Goyeneche says that it was "in compliance with the wish of His Majesty which Your Excellency was pleased to communicate to me in a note of 23 September 1768." Archivo de Simancas, *Gracia y Justicia* 872, fol. 76.

²⁶ *Informe* submitted by the Count of Tepa to the Council of the Indies on the commerce of the Philippines and the supreme importance of those Islands, Madrid, 23 August 1778, AGI *Filipinas* 687.

secure a foothold in Mindanao for the purpose of establishing a direct trading connection between it and Great Britain by way of the Horn, and conjectures that the voyages of Byron and other British seamen had for their specific purpose to find suitable ports of call along the projected route.

Viana believes that the time has come to put into execution the grand designs so often conceived but never realized. He refers specifically to Alberoni's plan of supplying the two Americas with Asian goods through the Philippines. He confesses that he has not had the opportunity to make a personal study of this plan. If he had, he might not have expressed such admiration for it. As Juan Bautista Muñoz was to write later, Alberoni had such a poor opinion of Spaniards that he despaired of any economic development ever taking place in the Islands under Spanish rule. His plan was therefore to cede them to France, along with the privilege of carrying on trade with New Spain under the same conditions as the Manila galleon; "a thoroughly abominable proposal," says Muñoz, "diametrically opposed to our national interests."

Viana in this second paper refers his readers to the "Demostración", but develops in greater detail the structure of the trading company whose formation he recommends. It should engage in direct trade by way of the Horn with the South American ports. Its ships should supply Chile and Peru with Spanish textiles, and take in silver and American goods for Manila. At Manila they would take in a cargo of Chinese goods and return to Spain via the Cape of Good Hope. This pattern should reduce commercial intercourse with foreign nations to a minimum and injure their trade in the measure that it promotes the expansion of national industries. Its effect on the Philippines would be the splendid future sketched out by a foreign author whom Viana quotes with evident approval:

The Philippines will inevitably become the storehouse of all the fabulous merchandise of the Orient. In spite of the obstacles the Spaniards are putting in its way, this is the destiny which Nature herself has given it. The time will come when it will have no need for the silver of America; it may even be that the Spanish Crown will

be compelled to impose the sending of a galleon to Acapulco as an obligation, where today it merely concedes it as a favor.²⁷

A year later, in a letter to Don José de Gálvez,²⁸ we find Viana insisting once again on these ideas, and suggesting that God may be reserving for that royal minister "the glory of persuading Europe that the Philippines, hitherto so little known, can be of as much value to the King as the whole of the Western Indies."

JUAN BAUTISTA MUÑOZ

A good indication that the question of the Philippines and its economic development was a constant concern of the Supreme Council of the Indies during this period is the fact that Muñoz, the learned author of the first modern history of Spanish America, was consulted about it. In October 1779, a few months after Viana's *informe*, Muñoz wrote his "Discourse on the navigation of the Pacific Ocean, particularly that to the Philippine Islands by way of the passages which have been discovered to the south of the American continent." The original manuscript, consisting of 72 pages, is entirely in the small, close yet clear handwriting of the author and is signed by him.²⁹ The work was commissioned by the Council of the Indies, and in his letter of transmittal to Don Francisco Saavedra, Muñoz expressed his regret that, owing to a fever which attacked him soon after he began to gather materials for the study, it had taken him two months to complete it. Even after he had recovered, further delays were caused "by the search for books and manuscripts...you cannot imagine how much time is wasted when one does not have all one's materials to hand."³⁰

The "Discourse" is in two parts. The first is a history of Pacific exploration, written with Muñoz's characteristic elegance; the second is that with which we are at present concerned, a proposed trade route to the Philippines. As plotted

²⁷ *Ibid.*, no. 70.

²⁸ Madrid, 5 August 1779, AGI *Filipinas* 687.

²⁹ Madrid, 12 October 1779, *ibid.*

³⁰ *Ibid.*

by Muñoz, it was a Cape Horn route with ports of call in the Falkland Islands and Tahiti on the outward voyage and touching on the return voyage at Australia, where Muñoz recommends the establishment of a colony. Following Viana, whose "Demostración" he had read and admired, Muñoz suggested an alternative route across the Isthmus of Panama, through which he recommends the opening of a canal.³¹

Muñoz found a historical precedent for his proposal in the attempt of certain Cádiz merchants to open up direct trade by way of the Horn with Chile, Peru, and even the Philippines, an attempt which came to naught owing to the opposition of the Count of Montesclaros (1612). Some years later, the successful voyage of the brothers Bartolomé and Diego García de Nodal through Le Maire's Passage³² served to revive the project. This time it was the opposition of the colonial authorities of Panama that quashed it, as we saw earlier. In the eighteenth century, when the War of the Spanish Succession interdicted the dispatch of the *flotas* across the Atlantic, the French made use of the Cape Horn route. This was discontinued after the Peace of Utrecht, to be resumed in 1739, again by reason of wartime conditions which paralyzed the Atlantic traffic and created a scarcity of clothing and European goods in Peru. Direct trade with the Pacific coast of South America was established on a permanent basis in 1743, when three ships took this route from Cádiz to Callao. It was still being carried on at the time Muñoz wrote, but with little enthusiasm, the reason being—at least in part—the exorbitant customs duties imposed by the *consulado* of Lima.

This trade pattern never came to include the Philippines because of the monopoly granted to the galleon trade; a situation on which the comment of Muñoz was that "the abandonment of trade with Asia by way of South America was a deplorable error." He added with reason that the monopoly of the trade in China goods granted to the Manila-Acapulco line not only deprived the mother country of the profits of that

³¹ "Discurso", p. 39.

³² See the rutter of this voyage in Biblioteca de la Real Academia de la Historia, Madrid, *Colección Muñoz* XXXVIII, 38-40.

trade but paralyzed the economic growth of the Philippines, "for there is no doubt but that if encouragement had been given to the natural products of that colony, if protection had been extended to its cotton and silk industries, and if these industries had been developed by importing master weavers from China, the Philippines could well become an inexhaustible source of wealth" most attractive to investors.

Muñoz mentions with approval Patiño's proposal to organize a company in Spain for the purpose of trading directly with the Philippines by way of the Cape of Good Hope; there is no doubt in his mind that nothing stands in the way of Spaniards using this route. Indeed, to the advantages of the route to which Viana called attention in his "Demostración", much greater advantages have now been added by the treaty of 24 March 1778³³ whereby Portugal ceded Annobon and Fernando Pó to Spain, since no better ports of call can be found along it than these islands. However, the Dutch who are well entrenched at Sunda Strait have it in their power to spoil this route by sowing fear and insecurity among the Spanish merchants and deterring them from investing their capital in it. That is why Muñoz vigorously opts for the Cape Horn route, to which the attention of Spaniards have been directed since the time of Columbus and which is so highly recommended, as we have seen, by such men as Father Calvo.

With Juan Bautista Muñoz and his plan we close the series of what may be called the theorists of Philippine economic development in the eighteenth century.

³³ Article XIII of the Treaty of Friendship and Commerce between Spain and Portugal signed at El Pardo, 24 March 1778. See text in 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. 551.