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„Between Profit and Obedience

The Manila Trade in the Conflict between Royal Conceptions and Realities, c.1570 – c.1630"

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Florian Wolf, BA

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Abstract

This paper is about the Manila trade and its effect on the obedience of royal Spanish orders in its overseas possessions. The very lucrative but mostly illegal trade mainly involved the exchange of Spanish silver for Chinese goods; the city of Manila served as a central hub for this exchange. This trade damaged royal financial interests that led to several royal restrictions; nevertheless, most of them were ignored. Researched are the reasons for this disobedience of colonial merchants and officials. The time frame dates back to two to three decades before and after 1600 – the peak years when the Manila trade reached great volumes. The research is done using a macro-level perspective in order to carve out some of the central economic and administrative mechanics and weaknesses within the Spanish Empire. At the centre of attention is the understanding of the relations between the main Spanish actors – colonial officials and merchants on the one side and the Crown on the other. Special emphasis is placed on forms of royal agency as this is regarded a central point concerning the better understanding of the disobedience.

The findings of this analysis show that three main explanation spheres have to be taken into consideration in order to understand the large-scale disobedience. First, the profit-seeking of the local actors, second, the weaknesses of Spanish ruling, third, the need of the Crown to keep the Philippines a Spanish possession due to imperial ambitions.

Zusammenfassung

Diese Arbeit behandelt den Manila Handel und dessen Auswirkungen auf den Gehorsam in den überseeischen Besitzungen. Der äußerst profitable, aber großteils illegale Handel basierte vor allem auf dem Austausch spanischen Silbers gegen chinesische Güter. Die Stadt Manila agierte hierbei in erster Linie als Entrepreneur. Der Handel bedeutete beträchtliche Einbußen für die königlichen Finanzen, was zu diversen Beschränkungen von Seiten Spaniens führte – welche zumeist von den kolonialen Akteuren ignoriert wurden. Das Ignorieren von königlichen Anordnungen durch koloniale Händler und Beamte als Ausdruck von Ungehorsam bildet das Hauptinteresse dieser Untersuchung. Der Untersuchungszeitraum ist innerhalb der drei Jahrzehnte

vor und nach 1600 angesetzt, da in jener Zeit der Manila Handel seine größte Ausbreitung erfuhr. Die Untersuchung nutzt eine Macro-Level Perspektive, um einige der zentralen ökonomischen und administrativen Mechaniken und Schwächen innerhalb des spanischen Reiches ausmachen zu können. Das Hauptaugenmerk liegt auf den Beziehungen zwischen den spanischen Hauptakteuren, kolonialen Beamten und Händlern einerseits sowie der Krone andererseits. Besonders die Formen königlicher Handlungsmacht werden als zentral hierbei angesehen für das bessere Verständnis des Ungehorsams rund um den Manila Handel.

Die Ergebnisse dieser Untersuchung zeigen, dass drei Sphären ausgemacht werden können, die die Gründe für den großmaßstäblichen Ungehorsam verstehbar machen. Erstens, die Profitgier der kolonialen Akteure, zweitens, die Schwächen der spanischen Herrschaft, drittens, die Notwendigkeit der Krone, die Philippinen als Kolonie Spaniens weiter zu führen aufgrund imperialer Ambitionen.

1. Introduction

It is hard to determine the beginning of the globalisation as for this phenomenon several definitions exist. Concerning the definition of globalization often emphasis is set on interactions between actors on an over-national and even over-continental level. While Europe, Asia and Africa have been involved in direct exchanges of people and goods of all kind since early times, the other continents, for a long time, had not. As some scholars point out the significance of the truly global character of globalization, for them, the Eurasian-African exchange was not globalisation in this sense. Instead, globalisation is considered by those to have initiated when all populous continents were participating in direct exchange. While usually such developments are very hard to precisely date, it can certainly be achieved in this case. When the city of Manila was re-founded by the Spaniards in 1571, "a new era of world trade" started.[1] From this point on, the famous Manila Galleons set sail and established a direct connection between the Americas and Asia for the first time; "Manila was the crucial entrepot linking substantial, direct, and continuous trade between America and Asia for the first time in history."[2] Never before had all large and populous continents been involved in such a system – a system in which commodities were exchanged without interruption and to a degree which influenced all trading partners fundamentally.[3] Thus, "major scholars of global history consider the establishment of Manila as the capital of the Spanish Philippines, in 1571, as the kick-off for global trade."[4]

In Manila, Chinese and Spanish merchants met and exchanged goods that they had brought either from the Americas or the whole of Asia. Silver from the American mines was of crucial importance; "Silver was the sine qua non of this global trade."[5] For a long time, the Manila Galleons were the only

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[1] Katharine Bjork, The Link that Kept the Philippines Spanish. Mexican Merchant Interests and the Manila Trade, 1571–1815, in: Journal of World History, Vol. 9, No. 1 (1998) 25.

[2] Dennis O. Flynn, Arturo Giraldez, Born with a „Silver Spoon." The Origin of World Trade in 1571, in: Journal of World History, Vol. 6, No. 2 (1995) 201.

[3] Arturo Giraldez, The Age of Trade. The Manila Galleons and the Dawn of the Global Economy (Lanham 2015) 29. See Henry Kamen, Empire. How Spain became a World Power (New York 2003) 287: "It [the Spanish economy] was the first globalized economy."

[4] Birgit Tremml, A Global History of Manila in the Beginning of the Modern Era, in: ÖZG, Vol. 20, No. 2 (2009) 184.

[5] Flynn, Giraldez, Silver Spoon, 214.

direct connection between the Americas and Asia; these carried goods and people across the Pacific for about 250 years. They provided the true connection that this emerging trade system of global dimensions required; "These galleons originated the first planetary economy, the intercontinental market from which emerges the globalized world in which we live."[6]

The Manila trade was at least theoretically part of the Spanish economic system. There was a set of regulations and limitations to guarantee the profiting of the motherland from its overseas possessions. A wide variety of multiple institutions and officials had the task to enforce several royal decrees that aimed to control the movement of goods and people. Often, however, these regulations were ignored by colonial actors. Disobedience was universal – there was "widespread law evasion and governmental corruption."[7] Illegal trade on a high scale was the norm.

The Manila trade was an extreme example of this disobedience. It was not illegal per se, instead there was a rather tight limit for wares that were allowed to be exchanged.[8] Generally this limit was by far exceeded. It was the difference between the authorised limit and the volume of goods that were actually shipped that was illegal. This way the trade linkage became a grave for Spanish royal authority and finances, although it was "probably the most lucrative branch of international trade with the Orient."[9]

Despite the Spanish Crown passing several decrees to stop the illegal behavior, this was without long-lasting success. The history of the Manila trade is "made up in large measure of the various ways in which the laws were evaded."[10] There was a huge rift between the Crown's will – based on mercantilist thinking – and the realities created by colonial actors participating in the trade. This paper carves out the reasons for this disobedience around the Manila trade. The main research question is, hence, the following:

[6] Giraldez, Age of Trade, 191.
[7] Benito Legarda, Jr., Two and a Half Centuries of the Galleon Trade, in: Dennis O. Flynn, Arturo Giraldez, James Sobredo (Ed.), European Entry into the Pacific. Spain and the Acapulco-Manila Galleons (Oxon/New York 2001), 362.
[8] Legarda, Two and a Half Centuries, 356.
[9] Kamen, Empire, 292.
[10] Legarda, Two and a Half Centuries, 353.

Which reasons can be identified for the disobedience of the main colonial Spanish actors around the Manila trade?

1.1. Method

This paper is based on the research of the interplay between the three main actors of the Manila trade: the Crown, the colonial merchants and the colonial political entities and officials. The disobedience around the Manila trade can only be understood by examining the conflicts of the goals and motivations of these actors within a tight Spanish economic and administrative system.

To increase the explanatory power, a macro-level view is chosen to be able to deal with Spanish Empire-wide mechanics and effects. Therefore, not individuals but the aggregate – institutions and corporations of individuals such as the named ones are researched. The interplay between the actors of the different continents – the Crown in Europe, the officials in North and South America and the colonial merchants partly in the Philippines – justifies the use of an empire-wide view. The researched trade is not just the Manila trade (the trade between Spaniards and Chinese in Manila and the shipping of the goods to the viceroyalty of New Spain) but also the intercolonial trade which was the re-export of Chinese wares from one viceroyalty to the other. The research into and discussion of the intercolonial trade is essential in order for the Manila trade to be understood.

The historic time frame of this research generally lies within the Habsburg Era (1516–1700). A more precise timeframe is the first decades after the conquest of the Philippines by the Spaniards – this mostly falls in the regency of King Philipp II (1555/56–1598). In his reign falls the occupation of the Philippines, the start of the Manila trade and the growing of this trade to enormous volumes. The researched timeframe does not necessarily fall exactly within the reign of Philipp II though because his death did not result in a caesura for the Manila trade. Accordingly, the first decades of the seventeenth century are also dealt with in this work as the peak (in regards to volume) of the trade occurred around 1600. There is a special interest placed on this time because the high trade volume made the disobedience the more damaging to royal finances.

1.2. Structure

The pretext gives an overview about the circumstances leading to the Philippines becoming a Spanish possession. The motivation, the juridical basis of Spain incorporating the Philippines and the main obstacles concerning the exploration are explained. The course of the finally successful mission of Miguel López de Legazpi is being dealt with next to the characteristics of the first years of Spanish rule on the Philippines. To round up this overview-chapter in very short the most important facts of the rest period of time of Spanish rule there is given.

The next chapter focuses on the basics of the Manila trade. The starting point of this trade was silver because it was the main commodity for the whole trade interaction. Why in China a phenomenal demand for silver was true back then, why the Spaniards had such a high supply of the resource, and what the Spaniards bought with the white metal is explained. The route of the Manila Galleons is then examined next to indicators for the volume and value of the trade activities.

The fifth chapter gives a necessary overview of the basic functions of colonial administration. The administration of the Spanish overseas possessions had two sides. First, those institutions in the motherland responsible for colonial matters. Here, primarily the Council of the Indies has to be named to which the king delegated all authority over the overseas possessions. Besides that there were economic institutions such as the “Casa de Contratación” and the “Consulado de Mercaderes.” Second, in the overseas possessions themselves, several other institutions were created to keep up the administration and to enforce the royal will. Here the top of the hierarchy was being constituted by the viceroys and the audiencias. Concerning the actual trade the colonial merchant guilds (=consulados) played a major role. In addition to these institutions, two important royal instruments to fight disobedience – the “visita” and the “residencia” – are also examined; this is to show that instruments were at hand to take actions against disobedience within the Spanish system. The chapter ends with the administrative and economic relationship between New Spain and one of its lesser subjects, the Philippines. There was a direct administrative and economic dependency of the

Philippines on New Spain which was decisive for the understanding of the disobedience.

After having explained the basics of both the Manila trade and the Spanish administration, a final component that would provide a satisfactory view on the mechanics of the disobedience is still missing: the Spanish economic system of this time – this followed mercantilist principles. It is necessary to have a look on the theoretical background of this economic system in order to understand the problems Spain had to face when trying to apply mercantilistic principles on the Manila trade.

In the seventh chapter, the Crown's counter-strategies when on the one side facing the trade between Manila and Acapulco and on the other side dealing with the intercolonial trade and their failure are examined.

Chapter eight carves out the main reasons for the universal disobedience. Herein all previously researched aspects of the Manila trade, Spanish administration and the Spanish economic system are utilized. The first part of the chapter is about the financial profit-seeking of the local actors; this is followed by the investigation of the loopholes in the system with which Spain governed its overseas possessions. The last part shows that Spain actually profited from the Philippines/the Manila trade despite all of the disobedience.

In the conclusion the findings of this research paper are set in context to each other to point out the significance of its findings and the potential benefit for the field of research.

2. Glossary, Definitions and Clarifications

Acapulco

A Spanish city located on the Pacific coast of today's Mexico. It was part of the viceroyalty of New Spain and served as the principal port for the Manila trade.[11]

Audiencia

An appellate court of the Spanish Empire. It executed legislative, executive and juridical authority in the overseas possessions. Each viceroyalty was separated into several audiencias.[12]

Casa de Contratación (Casa)

The main agency enforcing the Spanish economic monopoly on the Atlantic trade with the overseas possessions. It had its seat in Seville.[13]

Chinese Goods/Wares

All goods sold by Chinese merchants to the Spanish in Manila are subsumed under this term, regardless of origin. It is true that some of those goods were not of Chinese origin; however, the main commodities the Spanish bought were silk and silk products, which were of Chinese origin.[14] Therefore, no linguistic distinction is made between the Asian origins of the goods.

"Conquest" of the Philippines

For most of the time the Spaniards did not control all of the Philippines. This was especially true for the stated researched time period. Spanish rule was concentrated mainly around the city of Manila.[15] Spaniards did not actually conquer the whole of the archipelago but only relatively small parts over which they were able to establish effective control. Nevertheless, the term "conquest" is used in this paper to mean the incorporation of the Philippines into Spain's sphere of interest (no other European power was present on any

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[11] Woodrow Borah, Early Colonial Trade and Navigation between Mexico and Peru (Berkeley/Los Angeles 1954).

[12] James S. Olson, Historical Dictionary of the Spanish Empire. 1402–1975 (Westport 1992) 57–58.

[13] Giraldez, Age of Trade, 32.

[14] Hang-Sheng Chuan, The Chinese Silk Trade with Spanish-America from the Late Ming to the Mid-Ch'ing Period, in: Dennis O. Flynn, Arturo Giraldez, James Sobredo (Ed.), European Entry into the Pacific. Spain and the Acapulco-Manila Galleons (Oxon/New York 2001) 252.

[15] Giraldez, Age of Trade, 59.

of the archipelago's islands) and the direct Spanish ruling placed over small parts of it.

Consulado de Mercaderes (Consulado)

The merchant guild with its seat in Seville which exclusively handled the Atlantic trade. They acted under the protection of the Spanish economic system and had many privileges.[16]

Council of the Indies (Council)

The main advisory body of the Crown concerning matters of the Americas. The king delegated all power concerning the overseas possessions to this institution.[17] It had its seat in Madrid.

Intercolonial trade

The trade from one viceroyalty to the other. The trade from Manila to Acapulco does not fall under this category as this was a trade within the same viceroyalty (New Spain).[18] The re-exportation of goods from New Spain to Peru does fall under this term.

Mercantilism/Spanish Economic System

A set of theories and practices concerning the economic behavior of a state. Based on this, Spain developed a strongly centralised economic system with state monopolies in which foreign competition was to be excluded from the overseas possessions and the overseas possessions degraded to resource suppliers and markets for domestic goods.[19]

New Spain/Mexico

The audiencia of Mexico was an administrative unit within the viceroyalty of New Spain.[20] The term "New Spain" means the administrative unit which includes all audiencias. "Mexico" in contrast means the absence of all audiencias except the audiencia of Mexico. Generally, one can say New Spain to include Mexico, but not the other way around. If for example talking about "Mexican merchants profiting from the trade", this means that the merchants from other areas (audiencias) of New Spain are not included as they did not

[16] Ibid., 32–33.
[17] James Lang, Conquest and Commerce. Spain and England in the Americas (New York/London 1975) 29; Kamen, Empire, 289.
[18] Buschmann, Slack Jr., Tueller, Navigating the Spanish Lake, 6.
[19] Herman M. Schwartz, States versus Markets. History, Geography, and the Development of the International Political Economy (New York 1994) 11; John R. Fisher, The Economic Aspects of Spanish Imperialism in America. 1492–1810 (Liverpool 1997) 37.
[20] Bjork, The Link that kept the Philippines Spanish, 27.

participate in the trade.[21] Therefore, in this work, the term "Mexico" means exclusively actors from the audiencia of Mexico.

Overseas Possessions

Spanish possessions in North- and South America – including the Philippines which was administratively part of the viceroyalty of New Spain.[22]

Permiso

An export quota for all goods allowed to be shipped from and to Manila.[23] Everything outside this quota was illegal cargo.

Philippines/Manila

The city of Manila, capital of the Philippines, served as the meeting point for the colonial Spanish and Chinese merchants; trade took place here. When discussing the whole territory as a Spanish possession, "Philippines" is used.

Situado

A yearly subsidy that the viceroyalty of New Spain had to send according to royal will; this secured the survival of the Philippines.[24]

Viceroy

The highest official in a viceroyalty. The viceroy was the direct representative of the king in the viceroyalty.[25]

Viceroyalty

In the research time the oversea possessions of the Crown were separated into two viceroyalties: New Spain and Peru. The Philippines was part of the viceroyalty of New Spain.

3. Beginning of Spanish Rule on the Philippines

On the order of King Philipp II, Miguel López de Legazpi led an expedition sailing from the Americas to the Philippines in 1564; the goal was to establish a return route from the Philippines across the Pacific to the Americas.[26] This

[21] Giraldez, Age of Trade, 34.
[22] Rainer B. Buschmann, Edward R. Slack Jr., James B. Tueller, Navigating the Spanish Lake. The Pacific in the Iberian World. 1521–1898 (Honolulu 2014) 6.
[23] Legarda, Two and a Half Centuries, 356.
[24] Kamen, Empire, 203.
[25] Christopher Storrs, Magistrates to Administrators, Composite Monarchy to Fiscal-Military Empire. Empire and Bureaucracy in the Spanish Monarchy. c.1492–1825, in: Peter Crooks, Timothy H. Parsons (Ed.), Empires and Bureaucracy in World History. From Late Antiquity to the Twentieth Century (Cambridge 2016) 301.
[26] Kamen, Empire, 201.

was a hopeful order as the satisfactory fulfillment of this instruction meant nothing else other than finding a sailable route across the Pacific from west to the east for the first time in human history. It was directed to claim the Philippines for Spain and afterwards turn the impossible possible for the glory and benefit of the Spanish Empire: return from Asia directly back to the Americas via the Pacific. This was a very crucial and dangerous undertaking. Several previous expeditions – all under Spanish flag – failed in successfully establishing a return route across the Pacific.

In order to understand the motivations and difficulties behind this operation, the division of the world between the spheres of interest of the Iberian kingdoms of Spain and Portugal as well as the history of the exploration of the return route from the Philippines is recapitulated.

3.1. Pretext

3.1.1. Juridical Background

The fifteenth century can legitimately be labeled as a century of discoveries – at least from the point of view of Europe. It saw various discoveries by navigators in the services of either the Crown of Portugal or Spain. Those two powers' knowledge of the world and its shipping routes was tremendously expanded. To put this into context, the Europeans of the year 1400 knew only that the Atlantic ended not far from the north of Africa – what was besides that in the south or west was more a matter of myths than of knowledge. The Americas and newly discovered parts of Africa and Asia appeared to be waiting for new masters to take control of them and be exploited thanks to several discoveries.[27] The Iberian powers had a serious knowledge lead – jealously defended and classified as state secret[28] – and a favorable geographic position as Portuguese and Spanish harbors were the closest to the new discoveries. This put them in a highly advantageous position when compared to other European powers. For the two southwestern European countries, the expected taking of control of vast land territories in

[27] Some of the most important were: Christopher Columbus discovered America 1492, Vasco da Gama found the sea route to India 1498, Vasco Núñez de Balboa made his way to the Pacific 1513, Ferdinand Magellan/his co-captain Juan Sebastián Elcano sailed around the world in 1522; Carlos Martinez Shaw, Marina Alfonso Mola, The Philippine Islands. A vital crossroads during the first globalization period. in: Culture & History Digital Journal Vol. 3, No. 1 (2014) 2.

[28] Buschmann, Slack Jr., Tueller, Navigating the Spanish Lake, 18.

combination with the exploitation and/or accesses to new markets meant that a golden age was likely.

New shipping routes, claims to newly discovered islands such as the Azores, Cap Verde, and the Canary Islands not only increased the insight of the globe as the Iberians knew it but also increased tensions between them. In their bilateral relations, the two neighboring kingdoms strived for a peaceful separation of the world that would enable both to be able to take full advantage of the opportunities. Part of the question regarding how the world should be separated had already been answered. In the peace treaty of Alcáçovas of 1479 – which ended the War of the Castilian Succession between Spain and Portugal – Spain got control over the Canary Islands but had to accept that the sea route to India around Africa belongs exclusively to Portugal; thus the directions of the future expansions of Spain and Portugal were regulated hereby. Only the Portuguese were allowed to have trading posts along the African coast. This was one of the reasons why Spain then invested in the expedition of Columbus to find an alternative sea route to India.[29]

The solution to how the other parts of the world were to be separated came following papal interventions between 1493 and 1529. Pope Alexander VI formulated a series of bulls known as the "Declaration of Alexander" in 1493.[30] The most famous of these was the bull "Inter caetera." Herein it was planned that a pole-to-pole line west of the Azores and Cape Verde should be drawn. Everything west of it – yet discovered or not – should be part of Spain's sphere of influence and everything east part of Portugal's. As Portugal had the opinion that the decision was too much in favor of Spain, it refused to accept.[31] However, Alexander VI was not only Spanish-born (from Aragon) but his son had become archbishop of Valencia at the age of just 16 years old; this made the Pope a strong supporter of the Spanish Crown's ambitions and no other direction of the papal decision could be realistically expected.[32] When the Spanish Crown itself was not fully satisfied with the

[29] Olson, Historical Dictionary, 20–21.
[30] Owen J. Lynch, Spanish Colonial Sovereignty over the Philippine Islands. Legal Origins and Justifications, in: Social Science Diliman, Vol. 6, No. 2 (2010) 81.
[31] Olson, Historical Dictionary, 600.
[32] Lynch, Spanish Colonial Sovereignty, 81.

Inter caetera bull, the Pope willingly created a new bull with slightly changed conditions; this was of course even further in favor of Spain.[33] Because both Spain was unable to find enough support among other European powers for this arrangement and Portugal was not pleased with it, the treaty never became legally effective.

One year later in 1494 in the Treaty of Tordesillas the demarcation line from the Inter caetera bull was moved more towards the west, favoring Portugal more than that in 1493.[34] West of the line Spain had exclusive discovery, navigation and colonization rights. East of it, with the exception of the Canary Islands, Portugal had these rights. This treaty got the support of both powers and thus became legally effective. The Pacific was not dealt with due to missing geographic knowledge at that time but soon became a subject of further negotiations following new discoveries and contacts in this region.

In the Treaty of Badajoz in 1523, attempts were made to split the Pacific between the two Iberian powers. It saw the Spice Islands (=Moluccas) under Spanish rule.[35] Nevertheless, in the Treaty of Zaragoza in 1529 Spain ceded its claims to the Spice Islands to Portugal in exchange for receiving the sum of 350 000 ducats.[36] Furthermore in this treaty, a second demarcation line was drawn – this time in the Pacific. Spanish ships must not pass the water west of this line. The Philippines had no mentioning in this treaty although it had already been discovered.[37] The problem of this treaty was that the line could not be precisely defined at this time. Insecurities over which territories belonged to which sphere remained due to the missing knowledge of the region.[38] The missing demarcation in the Pacific became a driving force for several Spanish explorations.[39]

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[33] Ibid., 81–82.

[34] Olson, Historical Dictionary, 600.

[35] Berthold Riese, Mexiko und das Pazifische Asien in der Frühen Kolonialzeit (Bern 2012) 13.

[36] Lynch, Spanish Colonial Sovereignty, 93–94.

[37] Riese, Mexiko und das Pazifische Asien, 17.

[38] Kamen, Empire, 199–200.

[39] John M. Headley, Spain's Asian Presence. 1565–1590. Structures and Aspirations, in: Hispanic American Historical Review, Vol. 75, No. 4 (1995) 627.

Map 1. The Spheres of Interest of Spain and Portugal according to the Treaty of Tordesillas and the Treaty of Zaragoza.[40]

3.1.2. Exploration

The Spanish exploration of the Philippines basically started in 1513 when Vasco Núñez de Balboa was the first European to see the Pacific after making his way through the mainland of the Americas.[41] Duteous he claimed the whole ocean for the Spanish Crown. Others followed him and soon the first Spanish settlement in the Pacific – Panama – was founded in 1519. Not long afterwards, more and more other Spanish cities were founded along the Pacific coast. These served as the starting points of most future Spanish explorations to the Philippines. The first concrete step, however, was done starting from the motherland when Ferdinand Magellan began his famous world sailing in 1519. Hereby he discovered the Philippines, claimed one of the islands for Spain and violently died there in 1521.[42] His co-captain Juan Sebastián Elcano finished the first world sailing and brought new knowledge about the world.[43] The findings of an alternative route to Europe from the Spice Islands – that bypassed Portugal's sphere of interest by crossing the Pacific – was especially of interest to Spain.[44]

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[40] http://crossthevaticanline.com/historical-background/ (24.06.2017).
„Controlled by" of course is only meant to a theoretical point of view. Never had been all those parts under the authority of either Spain or Portugal.
[41] Riese, Mexiko und das Pazifische Asien, 11.
[42] Ibid., 11–12, 35.
[43] Ibid., 12.
[44] Ibid., 13.

At first the Philippines was secondary hereby. The connection with the Spice Islands was more important. The potential profit was a main driving force because spices from the Spice Islands could earn ten times the value of the trade ship used.[45] The problem here for Spain was not the journey to the Spice Islands across the Pacific – the crossing of the Pacific coming from the Americas and sailing to Asia had already been accomplished for example by Magellan – but the return journey home. The return across the Pacific from Asia to the Americas would mean completely avoiding Portugal. The issue was that due to a missing (not yet discovered/utilized) half-way port, and the fact that Spanish ships had many problems navigating against the winds at that time, no one had ever before managed to cross the Pacific from west to east.

In the following decades several Spanish expeditions were sent out to manage the way back across the Pacific. An expedition sent out in 1525 to search for the Magellan expedition-survivors touched the Philippines but could not fulfill its quest and even saw the commander, García Jofre de Loaysa, die in 1526.[46] In 1527 Álvaro de Saavedra Cerón, the cousin of Hernán Cortés and sailing on behalf of him, was supposed to reach the Moluccas.[47] He reached the island of Mindanao on the Philippines but did not survive the voyage. When in 1543 Ruy López de Villalobos reached the Philippines – on his way to the initial goal which was the Moluccas – he named one island in honor of the Spanish prince and later king Philipp II "Islas Filipinas."[48] Later on the term was used for the whole archipelago.[49]

All these voyages failed to establish a return route across the Pacific but still increased Spain's position regarding claims on the Philippines; this was because Spanish voyages were the only ones among Europeans to reach the Philippines during this period of time. The Portuguese did not reach the archipelago.[50]

The way back across the Pacific to the Americas was vital if the region should ever become part of Spain's empire; travelling the other way via the Indian

[45] Ibid., 13.
[46] Sometimes his name is written „Loaisa." Riese, Mexiko und das Pazifische Asien, 60.
[47] Riese, Mexiko und das Pazifische Asien, 61.
[48] Ibid., 62.
[49] Ibid., 12.
[50] Ibid., 18.

Ocean meant communication and support would have to go through Portugal's sphere of interest. On these grounds, the Spanish conquest of the Philippines and the return route across the Pacific are closely linked together and cannot be seen separately. The return route was absolutely essential for a successful and long-lasting Spanish presence in the Pacific.

3.2. Legazpi Mission

The Spaniards had strong motivation in changing their main target from the Spice Islands to the conquering of the Philippines. Three objectives can be carved out hereby which were driving forces for Spanish aims of conquering the Philippines. The Philippines was supposed to offer a deep-water bay near China, it was assumed that there was silk and gold to be found on the archipelago and the population seemed to be a realistic target for conversation.[51]

Despite the previous failings, King Philipp II gave the mandate for a new attempt. A fleet under the command of Miguel López de Legazpi and piloted by Andrés de Urdaneta set sail from the Americas to the Philippines in 1564. The king made the official intention of this mission more than clear: "To establish the return route [across the Pacific] from the western isles, since it is already known that the route to them is fairly short."[52] Additionally, Legazpi received detailed orders from New Spain. He was supposed to respect the Treaty of Tordesillas and hence not sail to the Spice Islands but gather information about the islands outside Portugal's claim such as the Philippines.[53]

This mission differed from previous ones. It was the result of a "direct hand in policy" by Philipp II – the king took more direct influence hereby.[54] The king wanted a peaceful approach. The reason for this shift in expansion policy compared to the exploration of the Americas was "to avoid the excesses committed by New World conquistadors."[55] The king was very keen on legitimating this expedition. The chosen legitimation was in the name of

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[51] Olson, Historical Dictionary, 357–358.
[52] Quoted in: Kamen, Empire, 201.
[53] Giraldez, Age of Trade, 53.
[54] Kamen, Empire, 201.
[55] Ibid., 201. "Conquistador" is a collective term for those Spaniards who participated in the exploration and conquest of the Americas. The most famous of those were Hernán Cortés and Francisco Pizarro. Also the Spaniards who successfully claimed the Philippines for Spain are called conquistadors. Olson Historical Dictionary, 198.

Christianity to evangelize the region. To strengthen this legitimation a peaceful attempt was seen as more suitable.[56] Here we can see on the one hand a learning process of the Crown, and on the other hand the confirmation that royal support was key for the successful accomplishment of this mission. The command of this expedition was given to Miguel López de Legazpi. He was a 1502 born Basque who came to New Spain in 1531 where he made a career as an official in Mexico City. When he was appointed as captain, he had no navigational experience but had invested his own money to fund the expedition next to the king's money.[57] The mission set sail and landed on the island of Cebu in 1565. Legazpi and his men were not the first Europeans to set foot on the Philippines but what came in the next months was unique.

While Legazpi and most of the crew remained on the Philippines to take further actions, Legazpi sent back Andrés de Urdaneta to inform the officials in New Spain about the ongoing of the expedition. Urdaneta had been one of the few survivors of the previously failed Loaysa expedition.[58] After captain Loaysa had died, Urdaneta had reached the Spice Islands just to become a prisoner of the Portuguese there. After nearly a decade he had managed to make his way via the Cap of Good Hope back to Europe. This way, although completely different from what had actually been planned, nevertheless, Urdaneta had become the second man to circle the Earth! When the Legazpi mission was planned the king himself offered Urdaneta, who had become a friar, the position as captain as he was one of the few men who had practical experience in the Pacific waters.[59] He declined to take the command, however, and Legazpi took over. Still, Urdaneta helped plan the voyage and finally could be persuaded to sail as pilot under Legazpi.[60]

Urdaneta managed to execute Legazpi's command and return to Mexico. With this crossing the Spanish efforts finally came to a happy end. In 1565 the historic achievement had been accomplished. Andrés de Urdaneta succeeded in the crossing of the Pacific from west to east.[61] Since then the

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[56] Lynch, Spanish Colonial Sovereignty, 85.

[57] Sarah J. Kelloway, On the Edge. A Study of Spanish Colonization Fleets to the West Pacific and Archaeological assemblages from the Solomon Islands (Doctoral Dissertation, University of Sydney 2014) 72.

[58] Riese, Mexiko und das Pazifische Asien, 63.

[59] Ibid., 64.

[60] Kamen, Empire, 210.

[61] Riese, Mexiko und das Pazifische Asien, 65.

standard narrative has been that Urdaneta was the first man to ever have accomplished this – which is false! Another member of the expedition, Alonso de Arellano, had deserted and had sailed back to the Americas successfully about three months before Urdaneta.[62] Due to Urdaneta's detailed writings, and because Urdaneta' route was later on used by the Manila Galleons, history and contemporaries gave him the honor of this achievement.[63]

Legazpi who had stayed on the Philippines all that time, saw the expedition involved in fights with the natives despite clear royal instructions to avoid bloodshed. Non-violence was not possible due to native resistance.[64] The natives were no fundamental threat though as they lacked any supra-regional political organisation which extended over the control of a single village. Organised into small-based units, which were often hostile towards one other, the Spaniards profited from the missing uniting political structures as they could easily exploit local power struggles by allying with one side against the other.[65] At this time a son of the Sultan of Borneo ruled Manila which had been an important settlement before the arrival of the Spaniards.[66] In 1570 about ninety Spaniards with the support of three hundred native warriors tried to conquer the settlement but this proved unsuccessful. "They had to settle for an uneasy coexistence."[67] First, the Spaniards made a friendship treaty with the ruler who refused to go under Spanish authority but after several revolts, the Spanish attacked again, burnt the city of Manila in 1570 and re-founded Manila a year later in 1571.[68]

In the following decades Manila became the main Spanish city on the archipelago. Legazpi became the first governor earning his nickname "el Adelantado" meaning "the governor." When he died there in 1572 he had succeeded where several previous expeditions had failed – claiming the Philippines for Spain thereby parrying any of Portugal's potential claims on

[62] Kamen, Empire, 210.
[63] Giraldez, Age of Trade, 55.
[64] Kamen, Empire, 201.
[65] Ibid., 202.
[66] Riese, Mexiko und das Pazifische Asien, 36.
[67] Kamen, Empire, 202.
[68] Tremml, A Global History of Manila, 185.

the archipelago as well as enabling the establishment of the return route thanks to Andrés de Urdaneta.

3.3. First Years of Spanish Ruling

The Philippines is an archipelago comprising around 7000 islands with a total size of about 300 000km^2. 67% of the area is covered by the two largest islands: Luzon and Mindanao.[69] The climate is due to the close proximity to the equator maritime tropical with high humidity and characterised by heavy rainfall.[70] It was the largest possession of the Spanish Empire in Asia, separated by two oceans from the motherland. The Spaniards created the "Philippines" because before them there was no political entity claiming sovereignty over what is today's Philippines. This would have been rather difficult taking into consideration that the inhabitants spoke 88 different languages at the time of the Spanish arrival.[71] Spanish presence did not have those dramatic effects like in the Americas. There was no mass dying of the natives due to the germs the Spaniards brought with them because the natives already had had contact with foreigners such as Chinese enabling their bodies to develop antibodies – there was no demographic cataclysm like in the Americas.

In the first years of Spanish ruling some similarities between the actions on the Philippines and those in the Americas decades before can be made out regarding the economic utilization. The economic utilization in this period of time can be divided into three spheres which were partly intersecting.

First, utilization of natural resources. At the beginning Spaniards were searching for gold and silver. The bullion was greatly desired as it offered large profit. Soon it turned out that the riches of the Americas were not to be found here – Legazpi reported in 1569 that "the Philippines ought to be considered of little importance because at present the only article of profit that we can get from them is cinnamon."[72]

Second, making use of the soil. Shortly after the Philippines became Spanish possession and after it was sure that resource exploitation would not work out

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[69] http://www.nationsencyclopedia.com/Asia-and-Oceania/Philippines-LOCATION-SIZE-AND-EXTENT.html (12.06.2018).

[70] http://www.nationsencyclopedia.com/Asia-and-Oceania/Philippines-CLIMATE.html (12.06.2018).

[71] Olson, Historical Dictionary, 488.

[72] Quoted in Giraldez, Age of Trade, 205.

as it did in the Americas, the encomienda system was established by the local Spanish colonists after the example of the Americas.[73] The encomienda-system was a set of rights to people and tribute.[74] It has to be noted that the encomienda system was not about the granting of land, instead it was “a legal arrangement by which Spaniards justified the extraction of labor” from the natives.[75] The Crown supplied herein the conquistadors via the process of the repartimiento with native labor forces as reward for their services.[76] The repartimiento was a forced-labor system in which the natives had to work for the Spaniards.[77] For example, Hernán Cortés was granted the right of 23,000 natives working for him.[78] The royal concept included that the encomenderos (those conquistadors who were part of the encomienda system) were obliged to teach the natives in return for their labor force in the Christian faith.[79] Thus, theoretically both actors should have profited from each other.

In reality, the system did not work out in the Americas as intended. The natives were repeatedly exploited without restraint.[80] This was in contrast to royal orders. Several attempts to regulate the system – most famous the Laws of Burgos 1512/13 in which for example the maltreatment of natives was forbidden – were initiated.[81] The tensions between the ideas of the Crown, which wanted to establish a quid pro quo situation between natives and encomenderos, and the self-created realties by the encomenderos increased in the following years. They cumulated in the attempt of the encomenderos to turn the system hereditary. A feudal-heritable rank of Spaniards in the Americas would not have been controllable by Spain anymore. Therefore, the Crown took counter actions in a rather unusually rigorous way. In 1542 it was decided that natives must not be compelled to work against their will, the creation of new encomiendas was forbidden and all existing encomiendas were to be returned to the Crown after the death of the encomendero.[82]

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73 Buschmann, Slack Jr., Tueller, Navigating the Spanish Lake, 24.
74 Ralph Davis, The Rise of the Atlantic Economies (London 1973) 49.
75 Olson, Historical Dictionary, 243.
76 Giraldez, Age of Trade, 79.
77 Davis, The Rise of the Atlantic Economies, 48.
78 J. H. Elliot, Empires of the Atlantic World. Britain and Spain in America. 1492–1830 (New Haven/London 2006) 123.
79 Davis, The Rise of the Atlantic Economies, 43.
80 Olson, Historical Dictionary, 243.
81 Ibid., 117–118.
82 Davis, The Rise of the Atlantic Economies, 48.

This was why Legazpi had to face a new royal policy regarding this matter.[83] While he and his men tried to apply the old techniques/instruments of the encomienda system on the Philippines – at the beginning successfully, a number of encomiendas had already been established – the Crown fought against it quickly and rigorously. The mistakes of the American conquests were to not be repeated. No full scale exploitation of the natives and no independent class of landowning colonial elite were to become a reality. What had worked in the Americas at the beginning of the sixteenth century for the conquistadores did not work in the Philippines about seven decades later as "style and philosophy of the imperial enterprise had changed radically."[84] As a consequence, the Crown rejected the request for further encomiendas and for making them hereditary in 1576.[85] In addition, all further grants of land or labor force were prohibited. Nevertheless, encomiendas were not generally forbidden as in 1621 half a million natives lived in nearly 200 encomiendas.[86] It can be said, at the beginning of the Spanish rule on the Philippines, the Crown was able to enforce its will upon the local Spaniards. The Pacific was no obstacle for the Crown at that time. This important aspect of the capabilities/incapabilities of power-enforcing will come up several times in this work as it is one of the main conflicts which constituted the characteristics of the Manila trade.

Third, trading activities. Chinese merchants had been on the island regularly from about 1400 for trading purposes with the natives. When Legazpi realised that all luxury goods on the island had their origin in the trade relation between natives and Chinese merchants, he tried to establish a trading link with the Chinese.[87] This was to be successfully established soon after. The trade was enormously lucrative and the Spaniards in Manila could make easy money from it. Therefore, they had no need and no incentive for further expanding the encomienda system as there were much more effortless ways of making a living. The discouraging effect of the lucrative trade seemed to be one of the main reasons why no cash-crop industry was established on the

[83] Kamen, Empire, 202.
[84] Ibid., 202.
[85] Ibid., 202.
[86] Ibid., 215.
[87] Ibid., 206.

Philippines.[88] "When easy money was to be had […], there seemed little point in letting oneself in for the unswerving attention and constant toil that agriculture and industry demanded."[89] The Spaniards "lived in a paradise that they never exploited."[90] This may be one of the reasons why in case of the encomienda system the royal decree was obeyed.

3.4. Later Years of Spanish Ruling

There was mainly indirect rule by the Spaniards. This means, the Spaniards cooperated with local rulers for the delivery of local resources and labor forces.[91] Only the alliances with natives enabled the Spaniards to rule the central part of Luzon – the only part of the Philippines the Spanish effectively controlled.[92] The rest of the archipelago had just small Spanish garrisons in the provincial capitals to ensure tax collection but no direct control. A striking point that strengthens this image is that, by 1670, it was believed that less than half a million natives payed tribute whereas twice that many lived outside the control of the Spanish tax system.[93]

No attempt to fully control the archipelago was made.[94] The missing manpower capacities and the missing financial incentive to do so due to the existence of the lucrative Manila trade seem to be reasons for this. Political and administrative control was dense. Nevertheless, in its self-conception Spain considered the Philippines as fully controlled territory ignoring that most parts remained untouched from Spanish authority until the end of the nineteenth century.[95]

At most times just under 10,000 Spaniards were on the archipelago, most of them living in Manila. At around 1650 those Spaniards in Manila had to face 15,000 Chinese and 20,000 Filipinos.[96] The Philippines was not able to

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[88] Bjork, The Link that kept the Philippines Spanish, 32.
[89] Legarda, Two and a Half Centuries, 359.
[90] Kamen, Empire, 215.
[91] Giraldez, Age of Trade, 85. For more information about the administration of the Philippine indigenous via the Spaniards see Giraldez, Age of Trade, 84–86.
[92] Ibid., 59.
[93] Lynch, Spanish Colonial Sovereignty, 90.
[94] Kamen, Empire, 203–204.
[95] Giraldez, Age of Trade, 59; Kamen, Empire, 206.
[96] John L. Phelan, The Hispanization of the Philippines. Spanish Aims and Filipino Responses (Madison 1959) 178; For more information about the relations between the three main ethic groups in Manila – Spaniards, Chinese and Japanese – see Birgit Tremml-Werner, Spain, China and Japan in Manila, 1571–1644. Local Comparisons and Global Connections

subsidence itself. Up to the nineteenth century it depended on the financial aid of the viceroyalty of New Spain which had to send a yearly subsidy (the “situado”) via the Manila Galleons in cash.[97] Spanish presence there has left its mark on the Philippines especially in the field of the faith as today most of the people are considered to be Christian.

The Manila trade ended in 1815 when the last galleon set sail.[98] Spanish rule ended in 1898 when the United States conquered the Philippines. In 1902 the Pope “rescinded the Declaration of Alexander and thereby formally extinguished that last legal remnant of Spanish sovereignty in the Philippines.”[99]

4. Manila Trade

Although the Philippines had little resources worth exploiting, they had Chinese merchants that were potentially more valuable than tons of silver or gold. Manila’s significance lay in its geographical position between the Americas and Asia. Thanks to this, the city was perfectly suited for both major trading sides – Spaniards and Chinese – and became the entrepot which linked these two economic systems together. Manila’s position was promoted by the lack of good alternatives. Hawaii would have been even better for the Spaniards as it was closer to the American continent but Spaniards always used a similar route to cross the Pacific and therefore did not discover Hawaii.[100]

When the Spaniards arrived, the archipelago had already been integrated in a trade network with Chinese merchants. Those merchants regularly went there for trading with the natives since the fourteenth century.[101] After their advent the Spaniards could link to this trade. There is the story that some of Legazpi’s men helped Chinese merchants who’s ship was about to sink. The Chinese returned to China, told their fellowmen about the Spaniards and then returned

(Amsterdam 2015); Joshua Eng Sin Kueh, The Manila Chinese. Community, Trade and Empire, C. 1570–C. 1770 (Doctoral Dissertation, Georgetown University 2014).

[97] Kamen, Empire, 203.

[98] Legarda, Two and a Half Centuries, 356.

[99] Lynch, Spanish Colonial Sovereignty, 93.

[100] Hawaii was not discovered by Europeans before James Cook in 1778. http://www.nationalarchives.gov.uk/education/resources/captain-cook-in-hawai (12.06.2018).

[101] Riese, Mexiko und das Pazifische Asien, 39.

with other merchants.[102] This was the start of the trade exchange as the Spaniards did not let this great opportunity pass, especially as there was not much else on the Philippines with which easy money could be made, or like an officer of Legazpi said: “No profit can be expected from the islands, until trading connections can be opened with China and the rest of the Indies.”[103] It was the start of Manila becoming the cardinal point of a global trade link between the Americas and China.

The Spaniards brought silver from the American mines to Manila and exchanged it for the goods of the Chinese, mostly silk. It was all about this trade relation as this was the main purpose of the city: “Manila’s role was to be an entrepot in which colonial merchants acted as intermediaries between Asian producers and American viceroyalties.”[35] As China itself had no official trade settlement on the Philippines, the trade was done by the Chinese merchants privately.[104] The trade was enormous and had great impact on both sides. For example, Spanish silver coins became a major exchange medium in Asia.[105] The American silver came to Manila via the so-called Manila Galleons.

4.1. Silver

Silver was the traded commodity which enabled all trade activities as this was the only thing the Chinese demanded from the Spaniards in large quantities. It was the basis of the whole trade and the reason why foreigners took the efforts to reach the archipelago – Chinese as well as Spanish merchants.[106] Silver was the raison d’etre for Manila as a world economy influencing entrepot.[107]

4.1.1. Demand

From the 11th century onwards, China based its tax system on paper money.[108] When the emperors printed more money without having enough coins to back up the value of the notes, hyperinflation occurred making the paper money worthless. Hence, from the 1570s onwards the system was changed to the so-

[102] Legarda, Two and a Half Centuries, 338.
[103] Quoted in: Giraldez, Age of Trade, 146.
[104] Riese, Mexiko und das Pazifische Asien, 21.
[105] Olson, Historical Dictionary, 381.
[106] Tremml, A Global History of Manila, 185.
[107] Flynn, Giraldez, Silver Spoon, 201; Bjork, The Link that kept the Philippines Spanish, 31.
[108] Flynn, Giraldez, Silver Spoon, 207.

called “Single-Whip Reform.”[109] It included two main regulations. First, all national levies were summed up in a single tax. Second, this tax had to be paid in silver. The metal was chosen because the two other main alternatives did not fill the requirements. Gold was too valuable for most transactions and copper could not be tested for its purity without destroying it.[110] To understand why this system had worldwide effects, a single percentage number does the trick: At this time 25% of the world population lived in China.[111] As if this was not enough, actually even more than one quarter of the world population was affected by the changes of the Single-Whip Reform because the Chinese tributary system that included parts of East and Southeast Asia was changed to silver payments as well.[112] Therefore, “we are talking about far more than one-quarter of the globe’s population.”[113] Adding to this the fact that China also lacked silver mines; it therefore becomes clear why a demand for the white metal rose to an extent where it was lucrative to transport silver to China from all around the world – or at least to places where Chinese merchants were. Silver in China from the end of the sixteenth to the beginning of the seventeenth century had double the value of that in Europe. There was a large price discrepancy between China and Europe making arbitrage profit possible.[22] Especially the relative price of gold and silver draws a picture of where silver-flows at that time according to market logics must have been heading to. Relative price means the proportion of the price of one good compared to the other. The relative price of gold to silver in China was 1:5.5 to 1:7. So, for one ounce of gold one could get 5.5-7 ounces of silver there. Now the striking point. At the same time in Spain, the rate was 1:12.5 to 1:14[114] – “thus indicating that the value of silver was twice as high in China as in Spain.”[115] Contemporary sources clearly point out an

[109] Ibid., 208.
[110] See Flynn, Giraldez, Silver Spoon, 207–208.
[111] Dennis O. Flynn, Arturo Giraldez, Spanish Profitability in the Pacific. The Philippines in the sixteenth and seventeenth centuries, in: Dennis O. Flynn, Lionel Frost, A.J.H. Latham (Ed.), Pacific Centuries. Pacific and Pacific Rim history since the sixteenth century (London/New York 1999).
[112] Flynn, Giraldez, Silver Spoon, 205.
[113] Ibid., 208.
[114] Hang-sheng Chuan, The Inflow of American Silver into China from the Late Ming to the Mid-Ch’ing Period, in: The Journal of the Institute of Chinese Studies of the Chinese University of Hong Kong, vol. 2 (1969) 2.
[115] Chuan, The Inflow of American Silver into China, 2.

understanding for this high demand in China: "China is so large […] however much coin is sent, that country will absorb it."[116] Most silver in the world ended up in China.[117] China became "the world's silver sink."[118] It was most profitable to sell silver to the Chinese. This was true for the output of Spanish mines as well. Most of it ended up in China either via the Spanish motherland and then continuing via European entrepots (first and foremost England and the Netherlands) or directly via Manila to Chinese merchants who transported it to China.

4.1.2. Supply

The Spanish Americas were one of the main silver production areas which satisfied the Chinese's hunger for the metal. With its overseas possessions, Spain controlled a major percentage of the world production. The Americas produced 150,000 tons of silver in the time between 1500 and 1800[119] – this was about 80% of the world's production in this period.[120] Two especially enormous potential mines were under Spanish rule. One in Zacatecas – located in today's Mexico but back then part of the viceroyalty of New Spain. The other in Potosí – located in today's Bolivia but back then part of the viceroyalty of Peru. The latter was a city next to the Cerro Rico, the "Rich Mountain." This was the largest silver mine ever known to man and the single most important source of Spanish silver.[121] Centred on the production capacities of the Cerro Rico the viceroyalty of Peru may have produced 60% of all the world's silver in the sixteenth and seventeenth century![122] On the foot of the mountain arose the city of Potosí. Its population size underlines the incredible extent of the mining there. Before silver was discovered in this region in 1545 there was hardly any population in the steppe-like high plateau. In the years after the discovery the number of inhabitants grew to

[116] Quoted in: Hang-Sheng Chuan, Trade Between China, the Philippines and the Americas during the Sixteenth and Seventeenth Centuries, in: Dennis O. Flynn, Arturo Giraldez (Ed.), Metals and Monies in an Emerging Global Economy (Aldershot 1997) 284.
[117] Flynn, Giraldez, Silver Spoon, 202.
[118] Ibid., 206.
[119] Ward Barret, World Bullion Flows. 1450–1800, in: James D. Tracy (Ed.), The Rise of Merchant Empires (Cambridge 1990) 237.
[120] Harry E. Cross, South American Bullion Production and Export, 1550–1750, in: Precious Metals in the Later Medieval and Early Modern Worlds (Durham 1983) 397.
[121] Giraldez, Age of Trade, 30.
[122] Cross, South American Bullion Production and Export, 404.

160,000 people making Potosí one of the largest cities in the world and the most populous city in the Spanish Empire.[123]

The simple quantity did not make silver mining lucrative though. For large profits there has to be a profit-margin, which is constituted by the difference between the production cost and the selling price. The selling price was high thanks to China's demand; the production costs became low thanks to a new technology: The mercury amalgam process, which was discovered in 1555 and made use of from the 1570s onwards.[124] By isolating the pure silver from waste, the mining became easier and consequently cheaper. To make use of this new technology mercury was needed.[125] As the Crown controlled mercury mines near Huancavelica in the viceroyalty of Peru as well as in Almaden in Spain, Spanish mines became "the lowest cost sources of silver."[126] To point out the significance of this new technique, silver production in Potosí could be increased sevenfold as it was now economically achievable.[127]

At the same time as there being an extraordinary demand for silver in China, Spain got access to large quantities of low-cost silver. "This combination of supply-side and demand-side forces implied enormous profits."[128] It is paramount to keep this in mind as this paper argues that the profit was a driving force in the widespread disobedience regarding the royal will of Spanish actors involved in the Manila trade.

4.2. Traded Goods

The Spaniards in Manila soon noticed that trading with the Chinese required silver as this was the only commodity they desired from the Spaniards in larger quantities. "In Asia, goods from Europe generated little demand, bullion alone being sought."[129] Hence, the Spaniards had no choice other than bringing first and foremost silver to Manila. Other wares they sold were several kinds of textiles, spices, earthenware, beeswax and resin.[130] They

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[123] Kamen, Empire, 286.
[124] Ibid., 285.
[125] Ibid., 286–287.
[126] Flynn, Giraldez, Silver Spoon, 209. To some extent the mercury mine of Idrija in today's Slovenia delivered mercury as well. Giraldez, Age of Trade, 31.
[127] Kamen, Empire, 285–286.
[128] Flynn, Giraldez, Silver Spoon, 209.
[129] Giraldez, Manila Galleons, 30.
[130] Bjork, The Link that kept the Philippines Spanish, 41.

mostly bought silk from the Chinese.[131] Other goods were spices, cotton, tea, and porcelain.[132] This did not mean that all those were necessarily of Chinese origin. Instead, all of Asia contributed to the supply of the Chinese merchants. The Chinese brought cotton from India, rugs from Persia and spices and tea from the Spice Islands. This sounds more international than it actually was as the main commodity the Spaniards demanded from the Chinese was silk and silk products which were of Chinese origin.

Those silk products were of high quality.[133] For example, a woman from Mexico wrote. "They have brought from there [Manila] rich goods better than any to be found in Spain and more finished than anything of its kind in the rest of the world."[134] Besides that, they were cheap when compared to Spanish ones. This was because of less taxation of those by the Spanish authorities.[135] The high quality in combination with the low prices made it unsurprising that their "impact on consumers in New Spain [and Peru] was sensational."[136] The viceroyalties were the main markets for the wares coming from Manila, still, some even reached Spain itself. For example, King Philip V had a collection of chinaware coming from Manila.[137]

4.3. Acapulco-Manila Trade Route

The so-called Manila Galleons connected Acapulco, a city on the Pacific coast of the viceroyalty of New Spain, within the audiencia of Mexico, to the Philippines. For the majority of the Manila trade this was the only connection between the Philippines and the rest of the Spanish Empire. The name the people of New Spain used for the Manila Galleons was 'Nao de la China' – which means Chinese ship – singular.[138] Here the linguistic term did not cover the actual realities because in the first decades of the existence of the trade line, up to three or four ships crossed the ocean per year. In 1593 a royal decree set the maximum number of galleons which were allowed to head to

[131] Chuan, Chinese Silk Trade with Spanish-America, 252.
[132] Giraldez, Age of Trade, 145.
[133] Chuan, Chinese Silk Trade with Spanish-America, 248.
[134] Quoted in: Kamen, Empire, 206.
[135] Borah, Early Colonial Trade and Navigation, 121.
[136] Kamen, Empire, 206.
[137] Shaw, Mola, A Vital Crossroads, 5.
[138] Giraldez, Age of Trade, 153.

Manila to two per year.[139] This was due to protests of merchants from the motherland.[140]

The galleons themselves were financed by the Crown. [141] The Crown was the owner of the ships, denying privatising.[142] The Crown paid for the building and maintenance which made up to one third of the total budget for the Philippines.[143] The galleons were built in the bay of Manila.[144] For the purpose of building and repairing, a labour force of up to 1000 workers in Manila was formed.[145] From the perspective of the Crown the purpose of the galleons was to carry (little) silver to pay the salaries of the officials and clergy as well as for the basic needs of the archipelago. This silver was to be sent by New Spain to support the Philippines. This yearly payment was the situado. In addition, the galleons carried officials and clergies to the archipelago – but only subjects of the Spanish Crown[146] – as well as letters and royal orders. Back then a famous phrase was that the galleons coming from Acapulco brought "friars and silver."[147] This was one side, the official side of the medal, the other, the unofficial and illegal side was that the galleons were used by colonial merchants to carry gigantic quantities of partly untaxed silver to Manila to buy Chinese goods and bring those to the Americas.

Manila was a perfectly fitting place for the exchange of goods as it had "a magnificent harbor."[148] The galleons sailed from the Manila Bay in June or July making use of the monsoon winds.[149] The sailing over the Pacific starting from Manila took five, up to nine months. This made the Manila-

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[139] Lang, Conquest and Commerce, 58.

[140] Kamen, Empire, 211.

[141] Riese, Mexiko und das Pazifische Asien, 30.

[142] Ibid., 32.

[143] Giraldez, Age of Trade, 125.

[144] For details on the galleons – their appearance, how they were built, and such – see Giraldez, Age of Trade, 120–125.

[145] Riese, Mexiko und das Pazifische Asien, 32.

[146] Eberhard Crailsheim, Grenzregion Philippinen. Am Rande des spanischen Imperiums (1565–1762), in: Helene Breitenfellner, Eberhard Crailsheim, Josef Köstlbauer, Eugen Pfister (Ed.), Grenzen. Kulturhistorische Annäherungen (Vienna 2016) 63.

[147] Shaw, Mola, A Vital Crossroads, 5.

[148] M. N. Pearson, Spain and Spanish Trade in Southeast Asia, in: Dennis O. Flynn, Arturo Giraldez, James Sobredo (Ed.), European Entry into the Pacific. Spain and the Acapulco-Manila Galleons (Oxon/New York 2001), 118.

[149] Kamen, Empire, 211.

Acapulco route "the longest continuous navigation in the world."[150] The high risks of this route are worth mentioning. Back then it was the most dangerous long-distance shipping route in the world with a mortality rate of about 60-70%.[151] In comparison, other long-distance travels at that time saw a mortality rate of about 20-30%.[152] One reason for this enormous discrepancy were the typhoon winds which had the potential to extend the travel time; on-board drinking water would become more depleted. In addition, the longer the ships were on sea the more threatening the lack of vitamin C sources became.[153]

During these voyages, permanent danger not only for the sailors and passengers but also for the ships as a whole was present. In the about 250 years time span of the Manila Galleons, about 30 ships fell victim to storms.[154] In comparison to these numbers, the success of the assaults of Spain's rivals was modest. On four occasions, Manila Galleons were captured; each time the English were responsible.[155] It was true for the Manila trade route that "enemies did less damage than Acts of God."[156] The main problem for the Spaniards was the lack of a halfway port, which would have made the voyage much easier.[157] Spaniards always crossed the Pacific heading to Manila on similar latitudes following the route Urdaneta had taken; it was because of this reason that they did not explore and stumble upon Hawaii, which could have fit their need for a halfway port. The fact that the ships still crossed the Pacific despite the high risks shows the determination of the Crown and the merchants to profit from the Philippines.

In Acapulco, the merchants coming from Manila unloaded their goods, loaded up silver and passengers and headed back in March utilizing the winds in the region at this time. The way from Acapulco to Manila was shorter and lasted about four months. The Chinese wares from Manila were sold at a yearly fair in Acapulco, the "feria." Especially large-scale operators from Mexico and

150 Ibid., 212.
151 Riese, Mexiko und das Pazifische Asien, 33.
152 Ibid., 29, 33.
153 Ibid., 33–34.
154 Giraldez, Age of Trade, 191.
155 Those years were 1587, 1709, 1743, and 1762 – only one time during the Habsburg era. Kamen, Empire, 212.
156 Oskar H. K. Spate, The Spanish Lake (London 1979) 222.
157 Kamen, Empire, 210.

Peru were important hereby which bought the goods and then re-exported them to all areas of the Spanish overseas empire – especially to the viceroyalty of Peru.[158] This re-exportation from the viceroyalty of New Spain to the viceroyalty of Peru was the intercontinental trade. Acapulco saw "frantic activity" during the weeks of the feria for about three to four weeks.[159] Numerous merchants came to the town to face the hard competition already going on between Mexican and Peruvian merchants.[160] Acapulco on the west coast of New Spain, today's Mexico, founded in 1530, was an obvious choice for the Manila trade. Its deep and secured bay led to Acapulco becoming the main Spanish Pacific port.[161] In 1581 the position of Acapulco was enforced by a royal decree which made it the only port that ships to and from Manila were allowed to set sail and dock.[162]

4.4. Start, Peak and Decline

Within a single generation after Spain conquering the Philippines the trade volume exploded. At its peak, around 1600, the Manila trade was gigantic – it can hardly be overestimated in its quantitative dimension. There are lots of estimations about the value in the research literature.[163] However, exact and liable numbers regarding the actual silver flow to Manila are not available as the "tremendous volume of unofficial trade [smuggling] rendered official figures misleading."[164] For the purpose of this work, not the exact numbers are of importance but the relative dimension of the Manila trade compared to the Atlantic trade is. It is common knowledge that the Atlantic trade was enormous beyond any doubt and its impact decisive – with the silver crossing the Atlantic Spain became the most powerful country in Europe within its time. This was absolutely high-scale trade concerning the value. Without the

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[158] Borah, Early Colonial Trade and Navigation, 122.
[159] Spate, Spanish Lake, 223; Buschmann, Slack Jr., Tueller, Navigating the Spanish Lake, 23.
[160] William L. Schurz, Mexico, Peru, and the Manila Galleon, in: The Hispanic American Historical Review, Vol. 1, No. 4 (1918) 397.
[161] Riese, Mexiko und das Pazifische Asien, 23.
[162] Fisher, The Economic Aspects of Spanish Imperialism, 66.
[163] See among others Giraldez, Age of Trade, 154; John J. TePaske, New World Silver, Castile and the Philippines. 1590–1800, in: J. F. Richards (Ed.), Precious Metals in the Later Medieval and Early Modern Worlds (Durham 1983) 436; Dennis O. Flynn, Arturo Giraldez, Arbitrage, China, and World Trade in the Early Modern Period, in: Dennis O. Flynn, Arturo Giraldez, James Sobredo (Ed.), European Entry into the Pacific. Spain and the Acapulco-Manila Galleons (Oxon/New York 2001) 266–268.
[164] Flynn, Giraldez, Silver Spoon, 214. The problem of lacking reliable numbers also occurs when dealing with the Atlantic silver trade. Kamen, Empire, 287.

need to go into detail about the numbers of the Manila trade it still can be assumed with a high probability that the Manila trade at its peak was comparable in its dimensions with the Atlantic trade. In the years between 1601 and 1605, "the sums involved [in the Manila trade] approached the value of all the registered silver imported [across the Atlantic] into Seville."[165] It is claimed that in the precise peak year of 1597 more silver was sent to Manila than across the Atlantic![166] Therefore, the Manila trade was no negligible trade connection. Instead, the value of silver shipped to Manila around 1600 gives this trade connection the greatest significance within the Spanish Empire – whether it was legal or not does not matter here. The important point for this work is that, around 1600, the Manila trade was around too big to ignore for any main actor of the Spanish Empire, including the Crown.

While the estimations for the total value of the trade are difficult, it is more difficult to estimate the profit margins of the Spanish merchants due to the sheer abundance of false information reported; this led to a great variety of contemporary percentages.[167] According to the opponents of the trade the profit was 500%. In the end profits between 150% and 200% seem to be a realistic estimation for the researched time.[168] This huge profit meant that the expected occasional sinking of a ship on this dangerous route could be afforded.

The Manila trade lost its importance when silver did.[169] This happened when the price inflation took place. More and more silver reached Europe and China. This led to prices for the white metal dropping as even China's demand was saturated; the demand for silver could not be maintained long-term. The prices for other goods, however, remained nearly unchanged. The silver value declined in relation to goods. In 1635, one needed 13 ounces of silver to buy an ounce of gold in China; half a century earlier one needed just 6 ounces of silver to buy an ounce of gold![170] The supply largely exceeded the demand. This led to decreasing profits up to the point where the profit of the silver

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[165] Lang, Conquest and Commerce, 57.
[166] Kamen, Empire, 213.
[167] Legarda, Two and a Half Centuries, 362.
[168] For profit merges of silk re-export see Chuan, The Chinese Silk Trade with Spanish-America, 256.
[169] Giraldez, Age of Trade, 91.
[170] Cited after: Flynn, Giraldez, Silver Spoon, 211.

mining came close to its production cost. Less profit made the efforts and risks necessary to trade via Manila less tempting.

5. Spanish Administrative System for the Overseas Possessions

After having dealt with the origins of the Spanish rule on the Philippines and the basics of the Manila trade, an overview of the two main spheres of Spanish administration is given – the motherland and the overseas possessions. In the conflicts between those lays one of the cores for the endemic disobedience in the Manila trade. In order to carve this out it is first necessary to have a look on the administrative structures of those two.

5.1. Spain

Spain's acquired territories were vast. The huge Atlantic – and additionally the Pacific in the case of Manila – lay between the motherland and its overseas possessions. This made communication rather difficult; for example, a letter needed two to eight months to reach New Spain and twelve months to reach Manila from the motherland.[171] The great distance between the overseas possessions and the motherland may have made it easier for colonial actors to "escape" royal control.[172] This, in combination with the circumstance that there was no European example of how to govern and administer an overseas empire – as Spain was the first European power to acquire such – made the governing an immense challenge. Under the reign of King Philipp II strong centralisation tendencies set in to face these challenges. Philipp II (1527–1598) was the son of Charles V (1500–1558) and Isabella of Portugal. When Charles V abdicated in 1556, Philipp II became ruler. He was King of Spain, Naples and Sicily and ruled Portugal in personal union from 1580 onwards.

Philipp II's administrative policy was responsible for the development of a highly centralised administration in which the Crown had an especially tight grip on its overseas possessions. Strong bureaucratic and centralisation tendencies were set in.[173] In this system, political authority, the creation of laws and tax collection were subjects of the Crown. The Crown had absolute power over the colonies and delegated it to lesser officials or institutions.[174]

[171] Storrs, Empire and Bureaucracy, 291.
[172] Haring, The Spanish Empire (New York 1963) 6.
[173] Kamen, Empire, 161.
[174] Lang, Conquest and Commerce, 8; Haring, The Spanish Empire, 97–98.

In the case of the overseas possessions the power was delegated to the Council of the Indies which politically controlled them. The Casa de Contratación secured the application of the Spanish economic policies. The Consulado de Mercaderes economically utilized the Atlantic trade with the overseas possessions. In the overseas possessions themselves the viceroys and audiencias were the most important agents of royal authority.[175]

5.1.1. Council of the Indies

This was the main administrative, legislative and juridical body of Spain governing the overseas possessions – it controlled everything regarding them.[176]The Council[177]had supreme power over colonial legislation, finances, jurisdiction, the military, ecclesiastical matters and commerce. [178] Additionally, it was responsible for investigating and analysing the behavior of the colonial officials. It was constituted by a secretary and up to twenty members. This advisory body to the Crown, created in 1524 by Charles V, was the highest authority concerning the New World after the king himself to which it was directly subordinated.[179] All decisions for the New World, including the appointment of high officials, were prepared here and then presented to the king's secretaries. These secretaries reported to the king as his confirmation was required.[180]

The Council of the Indies, based in Madrid, stood in the tradition of the Habsburg administration at that time as there were many other councils. There were three main types of councils. Some were concerned with the matters of certain areas of the empire such as the Council of Castile, Aragon, Portugal, Italy or Flanders. Others had tasks with monarchy-wide authority such as the Council of State, War or Finances. Finally there were councils which carried out special tasks such as the Council of the Inquisition.[181] At first the Council

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[175] Haring, The Spanish Empire, 110.
[176] Kamen, Empire, 289.
[177] In this work when speaking of the one certain Council of the Indies (=Council), a capital letter is used. When speaking of councils in the Spanish Empire in general, no capital letter is used. The same is true for the Consulado de Mercaderes (=Consulado) and other consulados.
[178] John L. Phelan, Authority and Flexibility in the Spanish Imperial Bureaucracy, in: Administrative Science Quarterly, Vol. 5, No. 1 (1960) 50.
[179] Lang, Conquest and Commerce, 29.
[180] Haring, The Spanish Empire, 98.
[181] Storrs, Empire and Bureaucracy, 297.

of the Indies was under the jurisdiction of the Council of Castile but became autonomous later on.[182]

5.1.2. Casa de Contratación

The Casa de Contratación was a royal institution with a task of imposing the trading state monopoly with the overseas possessions – it was involved in the regulation of the trade and not the trading itself.[183] Founded in 1503, and under the jurisdiction of the Council of the Indies, it was responsible for all trade activities and shipping to and from the overseas possessions across the Atlantic. In addition, the Casa controlled any migration to the overseas possessions.[184] The Casa was based in Seville. After the river there dried up its location was moved to Cádiz – from 1680 unofficially and from 1717 officially.

The Casa received the bullion for the Crown from the treasuries of the viceroyalties and took the 20% tax on the merchant's goods. Besides that, it collected the convoy tax for the protection of the Atlantic fleet.[185] Moreover within its responsibility was the enforcement of royal trade orders. Ships leaving Spain to the Americas had to do this exclusively from Seville; those coming from the Americas to Spain had to navigate to Seville first. Further tasks were trade proceedings, registration and inspection of goods, licensing ships and merchants as well as controlling of passengers.[186]

5.1.3. Consulado de Mercaderes

While the Casa de Contratación was responsible for enhancing the legal framework for the trade with the overseas possessions, the Consulado de Mercaderes was the institution which did the trading itself across the Atlantic.[187] It was a private association of merchants in Seville authorised by the Crown to exclusively do all the trade with the Americas.[188] Only those members of the merchant guild of Seville were allowed to trade with the Americas. They financed the fleets going to the overseas possessions, brought

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182 Ibid., 298. For more details on the Council see Ernesto Schäfer, El Consejo Real y Supremo de las Indias. Su historia, organizatión, y labor administrativo hasta la terminatión de la Casa de Austria (Seville 1935).
183 Parry, The Spanish Seaborne Empire, 56.
184 Storrs, Empire and Bureaucracy, 299.
185 Lang, Conquest and Commerce, 47.
186 Ibid., 47.
187 With the exception of the slave trade. Haring, The Spanish Empire, 296.
188 Parry, The Spanish Seaborne Empire, 117.

manufactured wares and shipped back bullion to Spain. The Crown took its share via several taxes (imposed by the Casa). The Consulado fulfilled an important task within the Spanish economic system. As Spain was not able to raise the necessary capital for the Atlantic trade it delegated the trading privileges to this merchant guild.[189] One of those privileges included the free setting of the prices as they wished.[190] It was a powerful institution which also gave loans to the Crown. This all put them in a highly favorable position to defend and enhance their privileges.[191]

5.2. Overseas Possessions

5.2.1. Viceroyalties

Spain exported those institutions to the New World, which already had proven successful in Spain.[192] One of them was the viceroyalty which had already been used in the European possessions of Spain where the king was absent; examples include Aragon, Naples and Sicily. In the Habsburg era the Spanish overseas possessions were divided into two viceroyalties: New Spain and Peru. These were the highest administrative units.[193] The king had absolute power over these dominions. Full sovereign and property rights were in his hands and all privileges and positions were created by him.

The viceroyalty of New Spain was created in 1535. It included all Spanish provinces north of the Isthmus of Panama including the Philippines.[194] It lasted until 1821 when large parts dissolved into the Mexican Empire. The viceroyalty of Peru was established in 1542 to govern the areas conquered by Francisco Pizarro.[195] Its original name was "New Castile." Peru included all Spanish possessions in South America except the coast of Venezuela.[196] With the Bourbon Reforms at the beginning of the eighteenth century the viceroyalty was split into three parts: the viceroyalties of Peru, New Granada and Río de la Plata.[197]

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189 Kamen, Empire, 289.
190 Fisher, The Economic Aspects of Spanish Imperialism in America, 48.
191 Parry, The Spanish Seaborne Empire, 125.
192 Lang, Conquest and Commerce, 8.
193 Ibid., 30.
194 Haring, The Spanish Empire, 70.
195 Olson, Historical Dictionary, 485.
196 Haring, The Spanish Empire, 70.
197 Olson, Historical Dictionary, 486.

5.2.2. Viceroys

Above each viceroyalty was the viceroy. The king delegated his power to the viceroy making him the highest official in the Americas. His appointment was decided by the king based on the suggestion of the Council. The viceroy was a Spaniard and usually came from a high rank noble family which was seen necessary for representative purposes as he was the direct substitute for the king in the overseas possessions.[198] He was the chief civil and military officer and had a wide set of authorities.[199] He was responsible for the treasury, appointed officials and had supervision over justice. In addition, he served as head of the audiencia in the area of his residence.[200] The exact limits of the power of the viceroy cannot be defined generally. This is due to the personal aspect of this office. His precise authorities could vary from viceroy to viceroy as the power and limits of freedom greatly depended on his individual relationship to the king. It was about how much the king trusted him.[201] Very important decisions were independent of the personal relation still made in the motherland by the king and his Council. [202]

The residence of the viceroys was Mexico City in New Spain and Lima in Peru. To limit the power of the viceroy he was required to constantly correspond with the Council, keeping it informed. In addition, the audiencias served as control organ.

5.2.3. Audiencias

The audiencia was an advisory body to the viceroy executing legislative, executive and juridical authority.[203] It was an appellate court of the Spanish Empire. This means it was a court of second instance. It could hear an appeal of a trial court or other lower tribunals. It consisted of several judges suggested by the Council and chosen by the king. Each viceroyalty was separated into several audiencias. For example, the viceroyalty of New Spain was divided into five audiencias (some of them had been established before the viceroyalty itself). The first audiencia in New Spain was Santo Domingo (1511), later followed Mexico (1527), Guatemala (1542), Guadalajara (1548)

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[198] Storrs, Empire and Bureaucracy, 301.
[199] Lang, Conquest and Commerce, 30.
[200] Olson, Historical Dictionary, 629.
[201] Lang, Conquest and Commerce, 31.
[202] Riese, Mexiko und das Pazifische Asien, 24.
[203] Lang, Conquest and Commerce, 31–35.

and finally Manila (1583).[204] While there was no hierarchy between the single audiencias within a viceroyalty, the Council could treat each one of them differently depending on the necessities.[205] The audiencias had great significance in terms of the administration tradition of the colonial areas. It is no coincidence that many of the successor states of the viceroyalties were formed by the boarders of the audiencias and not of the viceroyalties.[206]

In those regions physically distant from the seat of the viceroy, the audiencia was responsible for implementing the royal will. In case of an interregnum, the audiencia exercised the viceroy's authority.[207]The audiencias were given the privilege to write directly to the Council. Sometimes it occured that the officials of an audiencia received secret instructions from the Council to report about the behavior of the viceroy.[208] In this respect they were also a control organ.

The relationship between the viceroy and the audiencias, both ultimately controlled by the Council, was a problematic one. On the one hand they were supposed to work together and on the other hand they were constantly supposed to control each other. The audiencia could hear appeals against the viceroy and the viceroy could complain to the Crown about the behaviour of members of the audiencia.[209] An unclear definition of each other's exact authority made the situation even more complicated. A clean separation of powers of the institutions of the viceroy and the audiencia cannot be made. Besides that the area of authority of an audiencia coincided with the area of the viceroy.[210] Technically, however, the viceroy had authority over the audiencias. In addition, he was the head of the audiencia of his capital. Nevertheless, both had juridical and administrative powers and the viceroy could not make orders to the audiencias. To complicate matters further, not every audiencia had the same powers – this could vary from audiencia to audiencia – and the power of the viceroy was dependent on his relation to the

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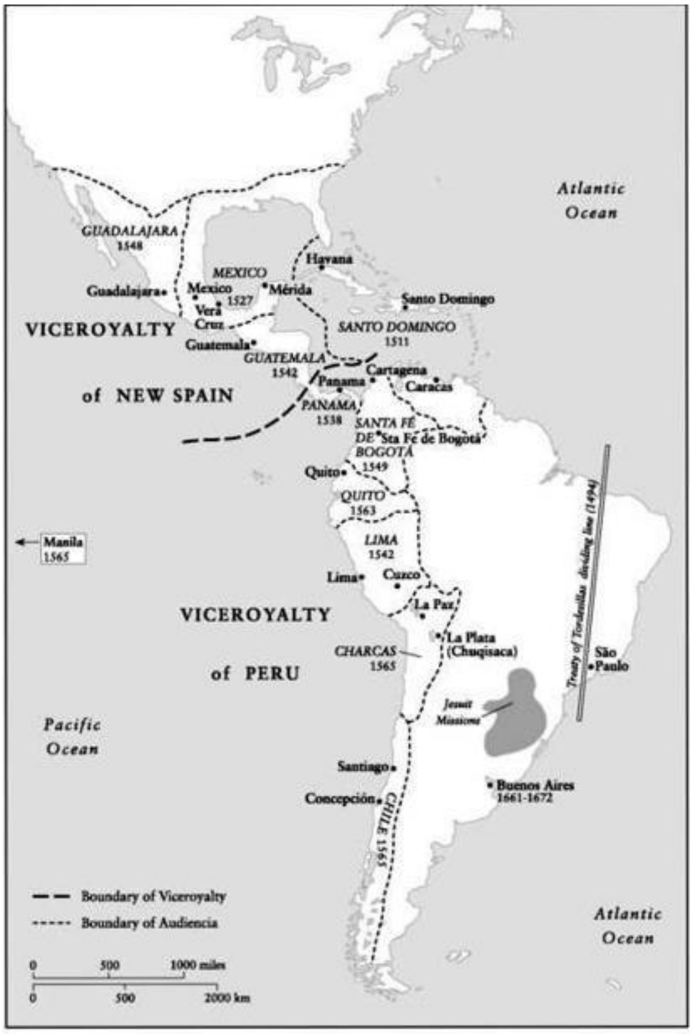
[204] https://erenow.com/modern/empires-of-the-atlantic-world/6.php (12.06.2018). Based on Francisco Morales Padron, Historia general de America (1975) vol. VI, 391.
[205] Lang, Conquest and Commerce, 31.
[206] Ibid., 31.
[207] Olson, Historical Dictionary, 185; Parry, The Spanish Seaborne Empire, 198.
[208] Lang, Conquest and Commerce, 31.
[209] Parry, The Spanish Seaborne Empire, 198.
[210] Ibid., 198.

king.[211] This unclear power division makes it simply impossible to give a general conclusion as to which of these two institutions had greater authority.[212]



Map 2. Viceroyalties and Audiencias in the Spanish Americas in the sixteenth and seventeenth century.[213]

[211] Ibid., 198.
[212] Lang, Conquest and Commerce, 32.
[213] https://erenow.com/modern/empires-of-the-atlantic-world/6.php (12.06.2018). Based on Francisco Morales Padron, Historia general de America (1975), vol. VI, 391. Acapulco is located at the Pacific coast of the Audiencia of Mexico. Note that the years stand for the establishment of the audiencias except the year for Manila which stands for the arriving of Legazpi on the archipelago.

5.2.4. Colonial Consulados

Within the overseas possessions the colonial merchants were decisive. The Spanish merchants from the Consulado de Mercaderes sold manufactured goods from Spain to their colonial equivalents. In return, they mainly bought silver from them but the Seville merchants did not, however, participate in the Manila trade or the intercolonial trade. This was the field of action of the colonial merchants.

Many of the colonial merchants were organised into their own private associations, the consulados. For example, the consulado in Mexico – most likely created not before 1590 – was the whole body of merchants who resided within the audiencia of Mexico.[214] As it was forbidden to withdraw from the consulado, the membership was mandatory for every one of those merchants.[215] One of the main incentives of the Consulado de Mercaderes and those consulados in the overseas possessions was "to enforce as nearly as possible unanimous support of the merchant class for recommendations and proposals requiring a concerted pressure in the councils of the state."[216] The merchants tried to gather their power to put up a united front against any potential interference. "The consulado constituted an effective channel for pooling the financial resources of the commercial class in the defense and advancement of their particular interests."[217]

5.2.5. Visita and Residencia

Theoretically all these official colonial institutions and offices were under the control of the Crown's will. As the Crown was in distant land, the question arose how to control the subordinated officials. For this purpose two instruments were implemented into the Spanish administrative system, the "residencia" and the "visita."

At the end of every colonial official's term, the official had to face a review of his behavior during his term, which was the residencia.[218] Only colonial clergies were excluded from undergoing this procedure.[219] In the public

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[214] Robert Sidney Smith, The Institution of the Consulado in New Spain, in: The Hispanic American Historical Review, Vol. 24, No. 1 (1944) 62.
[215] Smith, The Institution of the Consulado in New Spain, 67
[216] Ibid., 67.
[217] Ibid., 70.
[218] Parry, The Spanish Seaborne Empire, 204.
[219] Phelan, Authority and Flexibility, 61.

hearings charges could be brought up against the official who had the right to defend himself. Afterwards, a judge made a decision and transmitted it to the Council which could veto it.[220] This was an automatic process which took place every time an official's term ended, regardless of his behavior.

The visita on the contrary was an instrument only applied in certain circumstances. First used in 1501 it was a non-public, none stationary investigation of officials to identify any misbehavior.[221] A visita could be applied any time to a certain official, province or in general to the whole audiencia or even the viceroyalty if the Council saw need for it.[222] In this case a visita-general was appointed by the Council who was given nearly unlimited powers. Within his authority was the examination of all administrative aspects and interrogation of every official including the viceroy himself. During the time of the visita the visita-general may have been more powerful than the viceroy.[223] Afterwards, he had to report to the Council about his investigations. There was no time limit for the visita. The visita-general collected evidence and formulated charges. The charged officials and institutions then defended themselves before the visita-general. If the defendant was unable to persuade the visita-general of his innocence, the charge was taken to the Council.[224]

The great difference between these two instruments was that the visita was used when there was already the suspicion of misbehaviour whereas the residencia was used regardless of any suspicion. The goal of both was "the assurance of loyal and efficient administration by government officials in the New World."[225] The existence and application of these instruments show that the Crown took actions against disobedience.

5.2.6. Relations between New Spain and the Philippines

The relations between the viceroyalty of New Spain and the Philippines were numerous and significant. First and foremost, New Spain had administrative power over the archipelago delegated by the Crown as the Philippines was an

[220] Ibid., 61.
[221] Storrs, Empire and Bureaucracy, 307.
[222] Phelan, Authority and Flexibility, 61.
[223] Ibid., 61.
[224] Ibid., 61.
[225] Haring, The Spanish Empire, 142.

audiencia within the viceroyalty of New Spain.[226] The Philippines was subordinated to its control. Due to this, the Manila trade was also under the ruling of New Spain. The viceroyalty administrated the trade and both set and collected tariffs on the galleon cargo. Not only did it depend on New Spain in an administrative aspect. The Philippines was economically unviable without the viceroyalty's aid.[227] Spaniards in Manila hardly participated in any economic branch besides the trade.[228] This led to the Philippines constantly needing money to cover its very basic needs.[229] According to royal will New Spain had to send the yearly situado, a subsidy, to secure the surviving of the possession. Until 1687 the situado depended on the exact deficit amount of the Philippines. Later the situado was set to 250,000 pesos.[230] The Manila Galleons carried the situado from the treasury of New Spain to the archipelago to pay, for example, the salaries of the officials in the Philippines and other public expenses there. In return, Manila had to send the earnings of the almojarifazgo, a duty on imports and exports of goods, to New Spain to make up for the situado. On these grounds the situado was actually a "half-subsidy and half-commercial income" because a part of it was financed by this taxation of the Manila trade and thus this very part was no burden to New Spain or the Crown.[231] Herein we can see that the Manila Galleons were not simply an instrument of colonial official and merchant interests. Instead, they also served enforcing the royal will (the situado was based on a royal decree).

Concerning the trade relations only the audiencia of Mexico was important among all the audiencias of New Spain. The relevance of the other audiencias can be dismissed. The Mexican merchants were the main Spanish trading actors next to the Peruvians. Merchants from Mexico made big money with the trade of Chinese wares. In addition, because the wares had to go through Acapulco, Mexican officials based there were the ones to be bribed. Not only individuals in Mexico could profit from the trade, however. The Chinese silk

[226] Bjork, The Link that kept the Philippines Spanish, 27; Buschmann, Slack Jr., Tueller, Navigating the Spanish Lake, 6.
[227] Kamen, Empire, 211.
[228] Ibid., 214.
[229] Bjork, The Link that kept the Philippines Spanish, 27.
[230] Ibid., 42.
[231] Quoted in: Flynn, Giraldez, Spanish Profitability, 30.

was further processed in Mexico to textiles and then re-sold to Peru.[232] This created workplaces in Mexico. It was a huge economic branch which must have had great impact on the economy of Mexico. Contemporary sources speak of 14,000 people in Mexico being employed in the weaving of Chinese silk.[233]

Furthermore, the establishment of the Philippines as a Spanish possession was highly dependent on New Spain's/Mexico's support. "From the beginning, Spanish colonization of the Philippines was a Mexican enterprise."[234] This continued to be true for the maintenance of the possession in the next decades as well as for the Manila-Acapulco trade. New Spain controlled it administratively and also economically. "Spain's control and colonization of the Philippines greatly depended" on it.[235] The interests of New Spain "were central to maintaining the trade with the Philippines."[236] Therefore, the viceroyalty of New Spain is especially decisive for the understanding of the Manila trade and in consequence decisive for the understanding of the disobedience around the Manila trade.

6. Undermining of the Spanish Economic System

6.1. Spanish Economic System

The Crown stood in the first line of those who profited from the riches of the Americas. Several taxes, fees and such on trade as well as on production and mining secured a steady flow of income; silver was especially crucial in this aspect. With the taxation of the white metal Spain was able to finance its imperial ambitions. To maximize the profit a mercantilist economic system was considered to be necessary.

Mercantilism was a set of theories and practices regarding a state's economic policy with the goal of securing a state's prosperity. State interference was seen as necessary to enforce those policies. Mercantilism can roughly be

[232] Chuan, Chinese Silk Trade with Spanish-America, 253.
[233] Juan y Monfalcon, Informatory memorial addressed to the king, in: The Philippine Islands 1493–1898, Emma Helen Blair, James Alexander Robertson (Ed.) vol. 27 (New York 1962) 199.
[234] Bjork, The Link that kept the Philippines Spanish, 27.
[235] Chuan, Trade Between China, the Philippines and the Americas, 281.
[236] Bjork, The Link that kept the Philippines Spanish, 26.

dated between 1500 and 1800.[237] At that time most European states applied such policies although it has to be noted that there have been different implementations among European states.[238] The term “Mercantilism” was first used by the successors of this economic thinking – the liberals and the physiocrats. Adam Smith made it popular by using and dealing with it in his work “Wealth of Nations” from 1776.[239]

In a mercantilist system states tried to create as much influx of bullion, such as gold and silver, as possible to reach the goal of increasing the national wealth.[240] In the case of Spain the reliance on bullion was especially strong. This was a characteristic of the early stage of mercantilism which is also named “bullionism.”[241] This meant the acquisition of as much bullion as possible to increase the national wealth because it was thought that gold and silver alone constituted such;[242] especially silver was seen to be the core condition and the main indicator of national wealth.[243] The way to achieve this effectively was through a favorable balance of payments. Prohibitions should decrease the imports and promotions should increase the domestic production to maximize the silver available to the state.[244]

Local monopolies given by the government and regulations were considered to be an appropriate method to achieve the goal of national wealth. [245] For this purpose heavy state interference was seen as a legitimate way to increase national wealth and in turn led to strong centralization tendencies.[246] The concept of national wealth back then did not equal today’s definition. Today national wealth means the well-being of all members of a society. Back then it meant the “resources available for the court and national defence.”[247] It was believed that there was a close connection between a state’s national wealth and its power. “The correlation of bullion, prosperity and power was regarded

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[237] Olson, Historical Dictionary, 396; E. Damsgaard Hansen, European Economic History. From Mercantilism to Maastricht and beyond (Copenhagen 2001) 59.

[238] Olson, Historical Dictionary, 396.

[239] Hansen, European Economic History, 59.

[240] Schwartz, States versus Markets, 11.

[241] Ibid., 63.

[242] Haring, The Spanish Empire, 293; Olson, Historical Dictionary, 396.

[243] Bjork, The Link that kept the Philippines Spanish, 35.

[244] Hansen, European Economic History, 62.

[245] Hansen, European Economic History, 63f; Elliot, Empires of the Atlantic World, 111.

[246] Schwartz, States versus Markets, 11.

[247] Hansen, European Economic History, 61.

as axiomatic."[248] Therefore, it was seen as important to increase a state's power by a strong military, the construction of fortresses and the showing-off of the greatness of the ruler via extravagant buildings or feasts.[249]

The overseas possessions played an extremely important role here.[250] First, they were suppliers of resources – bullion, in the ideal case. Second, the native population served as a cheap source of labor making the extraction of the resources more profitable. Third, they were potential markets for the motherland's wares. Fourth, they could be used as commercial and military bases. Finally, the possession of overseas possessions gave prestige.[251] All in all the overseas possessions purpose was to increase the advantages of the motherland. Their individual development was of secondary importance. This explains why overseas possessions were to be economically complementary to the motherland including the forbidding or regulation of certain industries to keep the colonial markets open for goods from the motherland. To maximize the profit of the motherland, it was seen as best if the whole trade process with the overseas possessions – the extraction and shipment of resources to the motherland in addition to the shipment and selling of wares from the motherland to the overseas possessions – was done by private subjects of the country instead of foreigners.

Those private merchants generated the tax bases, which the Crown could then tax. For this reason, certain economic rights were delegated from the state to the private merchants. They acted as capitalists in the sense of capital givers in addition to managers in the sense of leading entrepreneurs. Those privileged merchants had to take the risks but could expect large profits. As private merchants did the actual trading there was no coherence between "power" and "business" because those who had the political power did not always run the businesses.[252]

Spain created a highly protectionist economic system. The trade with its overseas possessions was monopolized. This meant the overseas possessions were only allowed to sell their bullion to Spain and only allowed to buy

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[248] Elliot, Empires of the Atlantic World, 111.
[249] Ibid., 62–63.
[250] Olson, Historical Dictionary, 397; Fisher, The Economic Aspects of Spanish Imperialism, 37.
[251] Olson, Historical Dictionary, 397.
[252] Kamen, Empire, 308.

products from Spain.[253] Royal decrees set the framework for this. Institutions such as the Casa de Contratación and the Consulado de Mercaderes supervised and implemented it. It can be said that the Spanish monopolistic system was actually constituted by two closely linked lesser monopolies. With the bullion mined in the Americas first, the expenders of the overseas possessions were to be paid and the rest was to be shipped to the Casa in the motherland which taxed it. The mined silver was only allowed to be sold to Spanish merchants. This was the silver monopoly. The other monopoly was the colonial trade monopoly. The demand of the overseas possessions had to be covered exclusively by goods manufactured in Spain. This secured markets for the Spanish merchants that in turn profited Spain because the Crown could tax them via the Casa and take out loans from them.

To maximize the profits any competition was shut down by law enabling the Spanish merchants to charge higher prices and still sell their goods in large quantities which meant a higher tax base for the Crown. Foreign ships were not allowed to enter colonial ports and foreigners were not allowed to send goods to the overseas possessions. This way the danger of foreigners acting as middlemen and taking their share of the profit was avoided. The independent economic development of the overseas possessions was not only of no importance, it was considered to be potentially damaging to the motherland. If the overseas possessions satisfied their demands without buying Spanish products – either by economic development, the intercolonial trade between the viceroyalties or the buying from European suppliers – the Crown would lose money because wares not originated in Spain could hardly be taxed, if at all. This explains why the Crown took vigorous efforts to stop the contraband trade of the overseas possessions with Europeans as well as the intercolonial trade.

6.2. General Weaknesses

Within the monopolistic framework the overseas possessions were supposed to fulfill two economic aspects: supporting the Crown with silver and buying Spanish goods. In practice both aspects did not work out as intended. The colonial demand could not be fully satisfied by the Spanish merchants

[253] Haring, The Spanish Empire, 293–294.

because the Spanish industry was lacking the necessary production capacities.[254] This meant that the Spanish economy was not able to provide the American markets with the demanded goods.[255] One of the reasons for this was the massive silver influx. In the case of silver, great profit was relatively easy to make, therefore the silver investments drew away capital from other economical branches. "The easy availability of this silver deterred the crown from trying to find more durable internal sources of revenue."[256] Besides that, at the end of the fifteenth century Spain had damaged the domestic economy by expelling many Muslims and Jews from its realms which "had controlled until then most mercantile activity in the Iberian peninsula."[257]

Nevertheless, the overseas possessions demanded goods. Goods which Spain could not produce in sufficient quantity, hence the overseas possessions searched for other providers such as the other viceroyalty. Especially in the case of Peru, demand for wares from Mexico was high (Chinese goods are included here as well because Acapulco lies within the audiencia of Mexico). The silver involved in this intercolonial trade between the viceroyalties did not go through the Casa making it unfavorable to Spain. In addition, it did not satisfy the full demand. "Neither the galleons from Spain nor shipments of Mexican manufacturers were able to meet the demands of the markets in Lima and Potosí." [258] Another possible way to counterbalance the missing production capacities was contraband trade which "was the symptom of this basic incapacity."[259] All the worldwide trading operations of the Spanish Empire "became prey to systematic fraud."[260] This fraud may have covered two-thirds of the American demand.[261] All non-Spanish goods bought meant less Spanish goods being sold. The demand of the viceroyalties was satisfied by non-Spanish goods via contraband trade "to the ruin of Spanish trade."[262]

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[254] J. H. Elliot, Spain and its World. 1500–1700 (New Haven/London 1989) 161.
[255] Fisher, The Economic Aspects of Spanish Imperialism, 54.
[256] Schwartz, States versus Markets, 26.
[257] Ibid., 26.
[258] Borah, Early Colonial Trade and Navigation, 117.
[259] Lang, Conquest and Commerce, 60.
[260] Kamen, Empire, 306.
[261] Due to the nature of the illegal trading activities it is not possible to provide reliable and exact numbers. Giraldez, Age of Trade, 34; Fisher, The Economic Aspects of Spanish Imperialism, 63.
[262] Borah, Early Colonial Trade and Navigation, 124.

The silver with which those were bought did not go through the Casa and therefore meant an additional loss to Spain.

Next to the lacking production capacities the taxation was a great problem as it made the Spanish products especially expensive. The main economic goal of Spain was to extract as much bullion as possible from the overseas possessions either via the silver import or the selling of Spanish goods. In both cases the Crown took its share via taxation. Spain became rich by the taxation of the American silver and wares exported to the Americas. For this purpose a series of ruinous taxes was established which made Spanish goods very expensive.[263] With the taxes the Crown partly delegated costs of, for example, the defense of the Atlantic fleet to the merchants.[264] Those then delegated this costs themselves onto the customer via higher end-prices. If the Spanish economic system had functioned in a vacuum, this would have been no problem as those merchants of the Casa were allowed to set the prices as they wished.[265] In theory they did not have to fear competition because any competition was forbidden thus customers could not "escape" the high end-prices. Reality, however, was different. The illegal opening of the colonial markets for competition was an especially huge problem because customers had the choice between expensive Spanish goods and cheaper non-Spanish goods. This led to less Spanish goods being sold to the disadvantage of the Crown because the Crown could tax less of those goods.

6.3. Manila Trade damaging the System

The Manila trade did immense damage to the Spanish monopoly. Manila damaged both parts which constituted the Spanish economic monopoly: the silver and the goods monopoly.[266] The silver trade via Manila at a level above the permitted limit was illegal.[267] By selling silver to the Chinese the Crown did not have the opportunity to tax it properly. Without Manila the bullion would go through Seville and be properly taxed there to the benefit of the Crown. Thus, most of the silver going to Manila was a direct financial loss for Spain.

[263] Haring, The Spanish Empire, 294.
[264] Lang, Conquest and Commerce, 49.
[265] Fisher, The Economic Aspects of Spanish Imperialism, 48.
[266] Bjork, The Link that kept the Philippines Spanish, 39.
[267] Spate, Spanish Lake, 217.

As merchants selling their bullion using Manila had to pay fewer taxes than those who sold it via Seville, this was a great incentive for tons and tons of silver to be brought to Manila and buy Chinese goods in exchange. The almojarifazgo, a ~15% customs duty on merchandise, was especially avoided in this way as well as the import/export quotas. Other taxes, such as the tax on mining which was between 10-20%, could not be avoided as easily.[268] Although the illegal Manila trade did not avoid all taxes, it still meant serious financial losses for the Crown. Trading silver via Manila would not have been that much of a problem if it had not been done in vast amounts. Manila "was not a leak in the monopoly system. It was a veritable chasm."[269]

Shipping silver to Manila was not only that more profitable than the shipping over the Atlantic, the merchants also preferred the actual shipping route across the Pacific over the route across the Atlantic.[270] The great distance of the Pacific route to the motherland made Spanish control more difficult. Thus it was less risky for merchants to participate in illegal activities in the Pacific than in the Atlantic.[271] Furthermore, the distance was shorter making it cheaper. Also, the Pacific route saw much fewer dangers by enemies.[272] European powers and pirates concentrated their efforts on the Atlantic Route/Caribbean area. One explanation for this may be that the political and explorative situation in the Pacific gave those enemies less islands to operate from. Between the Philippines and Mexico hardly any operation base for pirates or marauders was available. Compared to the islands of the Caribbean which were used as bases for the enemies of Spain, this made attacks on the Manila Galleons more difficult. Fewer dangers meant less costs.

The goods monopoly was damaged by the import of Chinese wares. They were in direct competition with the Spanish products in the Americas and outsold them.[273] The price was the decisive aspect hereby. External forces like the taxation influenced the price in favor of the Chinese goods and to the disadvantage of the Spanish wares. The outcome was that the Chinese goods were cheaper; in fact, they were ridiculously cheap compared to wares from

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[268] Flynn, Giraldez, Spanish Profitability, 28.
[269] Lang, Conquest and Commerce, 57.
[270] Borah, Early Colonial Trade and Navigation, 121.
[271] Bjork, The Link that kept the Philippines Spanish, 45–46.
[272] Lang, Conquest and Commerce, 58.
[273] Borah, Early Colonial Trade and Navigation, 122.

the motherland. It can be assumed that Chinese silk clothes were sold at a ninth of the price of comparable products from the motherland![274] This absolutely astonishing economic advantage was the result of, to a large extent, the same reason as with the silver flow. Chinese goods had a lower taxation burden compared to those of the Spanish. Besides that, Chinese wares were produced in larger quantities, lowering the price further.[275]

The cheap Chinese goods also enabled the poorer parts of the colonial societies to purchase them, enlarging the potential market for the goods. Those people were, for example, natives who were forced by law and conventions to wear European clothes.[276] According to the Spanish economic system they would have no choice than to obey the law by purchasing Spanish goods. In the end, those natives rather bought the cheaper Chinese goods to obey the law. "Chinese silks […] were so cheap […] even commoners were using them for clothing."[277]

Spanish goods stood no chance against Chinese ones. The cheap Chinese wares damaged Spanish interests as customers did not buy Spanish goods. "There can be little doubt that imports from the Philippines did diminish the possible market for imports from Spain."[278] This overall situation led to the suffering of parts of the Spanish economy. In contrast to the mercantile theory the colonial markets saw heavy illegal competition in reality. As a result for example, the Spanish silk industry in Andalusia declined due to the powerful Chinese competition.[279] A letter from the viceroy of Peru to Philipp II sums up the whole situation very well. "The merchants […] complaint continually of the multitude of taxes they pay in Spain and Panama, of the abuses and inconveniences they suffer, and of the lack of security for their property on the journey [over the Atlantic]. As a result, they now make their purchases in New Spain" where they buy first and foremost imported Chinese goods.[280]

As if the damaging of both state monopolies was not enough Manila damaged royal finances in another way as well. The Philippines as a Spanish possession

[274] Ibid., 121.
[275] Ibid., 121.
[276] Giraldez, Age of Trade, 152.
[277] Borah, Early Colonial Trade and Navigation, 121.
[278] Ibid., 122.
[279] Chuan, Trade Between China, the Philippines and the Americas, 282.
[280] Quoted in: Borah, Early Colonial Trade and Navigation, 121.

was a net burden for the Crown. The usual historical consensus is that the Philippines cost lots of money as it was never self-sufficient and always depended on the money of the Crown.[281] Spain had to pay for the building and maintenance of the Manila Galleons, officials had to be paid and payments for protection and assistance to missionary activities occurred. For this reason the yearly situado had to be sent.[282] The Philippines was not able to make up for these investments as no resources or wares originated on the archipelago were exported in larger amounts and because the Manila trade was mostly illegal and thus not properly taxed. This neglected mercantilist logic because according to which a possession should be self-sufficient and the motherland should financially profit from it.

It is rather easy to sum up the damage the Manila trade did. It was a gigantic sting in the financial flesh of the Spanish Empire! Chinese goods competed with Spanish ones and undersold them and silver was illegally drained out of the Spanish empire to China via Manila.[283] It is not surprising that the Crown did not take efforts to increase the trade but, instead, undertook several attempts to regulate it.

7. Royal Counterstrategies

There was an undeniable clear contemporary understanding of the problems occurring as a result of the Manila trade. Spanish politicians and officials noticed the silver drain to China – it was too large to oversee. "The Seville merchants and the Crown were quite aware of the unfavorable competition."[284] There were several reports about these issues that were brought to the Council and the king.[285] For example, a high official wrote to the king in 1597: "All the money goes and passes to China, and remains there from year to year and in fact always."[286] Next to this, a Spanish admiral noted: "The Chinese king [emperor] could use Peruvian silver to build a

[281] Bjork, The Link that kept the Philippines Spanish, 39.

[282] It has to be noted that Flynn and Giraldez showed that the situado was actually half paid by the almojarifazgo. Therefore, only half of the situado can be seen as a subsidy. Flynn, Giraldez, Spanish Profitability, 29f; Bjork, The Link that kept the Philippines Spanish, 42.

[283] Legarda, Two and a Half Centuries, 345.

[284] Lang, Conquest and Commerce, 58.

[285] Borah, Early Colonial Trade and Navigation, 121.

[286] Quoted in: Chuan, Trade Between China, the Philippines and the Americas, 284.

palace."[287] The Crown was negatively affected by the Manila trade in addition to other groups of Spaniards. The merchants from the motherland had been a driving force in limiting the Manila trade as they did not profit from the intercolonial trade because they were not able to participate in it.[288] They saw their monopoly in danger by the competition coming from Manila as long as they had to pay full taxes and duties for the goods they offered.[289] They had an "extremely powerful lobby" and put strong pressure on the Crown to regulate the Manila trade as well as the intercolonial trade.[290] "All peninsular interests and policy thus came to agreement: the Philippine trade must be curtailed."[291]

When Peruvian merchants proposed to pay a very high tax percentage of 25% on Chinese wares in return for the permission to send three to four ships directly to Manila it was rejected by the Crown.[292] On the one hand this shows how immense the profit must have been as they were willing to pay higher taxes because the possible profits were higher. On the other hand it indicates that the Crown sacrificed the short term goal of income maximization via a larger tax base, in order to reach the long term goal which was the maintenance of a monopolistic economy in which colonial demand was only allowed to be satisfied by merchants of the motherland. The protection of the domestic producers was one of "the cardinal principles of Spain's commercial policy."[293]

There were two trade routes concerning Manila on the Spanish side. The first was from Manila to Acapulco – a route within a single viceroyalty. The second was from New Spain to Peru. The second route was the intercolonial trade. The actions that the Crown took concerning both of these trades were various regulations and limitations in order to make the trade via Manila conform to the Spanish economic system.[294]

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[287] Quoted in: Chuan, Trade Between China, the Philippines and the Americas, 281.
[288] Lang, Conquest and Commerce, 56.
[289] Flynn, Giraldez, Arbitrage, China, and World Trade, 266; Borah, Early Colonial Trade and Navigation, 124.
[290] Pearson, Spain and Spanish Trade in Southeast Asia, 130.
[291] Borah, Early Colonial Trade and Navigation, 124.
[292] Ibid., 118.
[293] Legarda, Two and a Half Centuries, 345.
[294] Pearson, Spain and Spanish Trade in Southeast Asia, 132.

7.1. Regulation of the Acapulco-Manila Trade

The upcoming trade restrictions were about regulating the trade within the Spanish Empire and not the trade of foreigners with Manila. Other European players were not important hereby as they did not interfere in the Manila trade as competition. As a matter of fact other Europeans did not participate here until 1789 onwards when Manila was opened for free trade; the free trade was fully adopted in 1834.[295] Instead, it was about the regulation and limitation of the trading behavior of the subjects of the Spanish Crown.

In the first years of the Manila trade laissez faire was reality, the galleons sailed in "remarkable circumstances of free trade."[296] The ships were free to sail to/from any port of the Pacific coast. Until 1580 all trade with the Chinese in Manila was without any official regulation.[297] In 1581 Acapulco was made the only port that ships to and from Manila were allowed to set sail and dock.[298] In 1593 trade between the Philippines and Mexico was restricted to two ships of 300 tons each per year.[299] A third ship was allowed to be maintained in Acapulco as back up. Also, the "permiso" was established with which the Crown limited the value of the Manila trade.[300] It was an export quota outlining the goods that were allowed to be shipped to and from Manila (only ships from Acapulco were allowed to sail to Manila) within a year to a fixed value. Wares worth 250,000 pesos were allowed to be taken to Acapulco and from Acapulco wares of 500,000 pesos were allowed to be taken to Manila to support the archipelago.[301]

In addition, it was decided that only those Spaniards with residence in Manila were allowed to participate in the direct trade activities with the Chinese – the actual exchange of Spanish silver for Chinese wares in the Philippines as well as the shipping of those goods to Acapulco. The trade rights of those citizens of Manila were regulated via the "boleta system." The goal of this system was to enable all Spanish citizens in Manila to profit from the trade. One main incentive of the establishment of this system may have been that it was seen

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[295] Legarda, Two and a Half Centuries, 340.
[296] Bjork, The Link that kept the Philippines Spanish, 42.
[297] Flynn, Giraldez, Arbitrage, China, and world Trade, 265.
[298] Fisher, The Economic Aspects of Spanish Imperialism, 66.
[299] Borah, Early Colonial Trade and Navigation, 123.
[300] Legarda, Two and a Half Centuries, 356.
[301] Borah, Early Colonial Trade and Navigation, 124.

as a necessary action to attract enough Spaniards to live in Manila which was a general problem during the first decades of ruling. In Manila a committee constituted by royal officials, clergy and merchants decided on the distribution of the boletas to the Spanish citizens in Manila.[302] They divided the space of a ship in equal parts, the "piezas." Officially the cargo of a galleon was divided into four thousand piezas. A boleta was a ticket giving its owner the right to ship goods on the Manila Galleons sailing from Manila to Acapulco.[303] The boletas represented "a person's right to loading space"[304] and equaled the exact size of one pieza. The boleta system was based on the theory that merchants and citizenship in Manila were equal, meaning all citizens are merchants. While this may have been true within the first years, it certainly became problematic further down the line.[305] Every Manila citizen got the same number of boletas.[306] However, those who really needed the Galleon space, the actual merchants, did not have enough boletas while those who did not need the galleon space, Manila citizens who were not directly participating in the trade, had too many. The solution that the private actors found was to trade the boletas.[307] Whoever needed them bought them from Manila citizens who had no wares to ship. This differed to the official policy making it illegal. In 1638 the trade with boletas without explicit permission by authorities was prohibited.[308]

Most royal decrees concerning the trade between Manila and Acapulco were ignored with incredible consistency. Interestingly the decree concerning the number of galleons allowed to cross the Pacific per year was all in all obeyed. One has to ask why the merchants did not send additional galleons illegally in order to make more profit. The answer may actually be profit maximization. More ships would have cost more money for the merchants to invest. As the Manila Galleons were financed by Spain it would have taken great efforts to build and maintain additional private galleons. Furthermore, it would have been effectively impossible to hide the galleons from (non-

302 Bjork, The Link that kept the Philippines Spanish, 43.
303 Legarda, Two and a Half Centuries, 357–358.
304 Ibid., 350.
305 Bjork, The Link that kept the Philippines Spanish, 43–44.
306 Legarda, Two and a Half Centuries, 357–358.
307 Bjork, The Link that kept the Philippines Spanish, 44.
308 Legarda, Two and a Half Centuries, 351.

corrupted) officials. Besides that tons and tons of additional Chinese goods would have lowered the market price due to increased supply on the American markets. Therefore, it was cheaper to just make the most of the two galleons. This led to the merchants bringing the art of space to perfection in order to add more goods illegally above the permitted limit. These additional goods were added on the open waters of the Pacific.[309] It goes without saying that the galleons were filled to maximum official cargo capacities. Furthermore, Spaniards were creative in the discovery and creation of new spaces on the ships. Food and water was stored at a minimum to increase the capacities of the galleons.[310] Goods were stored in cabins, on decks and in the gunpowder depots.[311] The ten cannons, which every galleon was required to have on board since Thomas Cavendish had successfully attacked the Manila Galleon in 1587, were often stored in the hold position to take up less space.[312] They were not ready for use in case of an attack, but profit seemed to be more important here – this also explains why the positions of the cannonries were sold to unskilled passengers on many occasions.[313] Also, the crew and passengers put merchandise as their private baggage.

Sometimes Spaniards went too far, and ships had to return due to overload – if they were lucky enough. In other cases, ships just sank. In 1600 both galleons sank on their way to Acapulco because of overload.[314] Based on this overload the value of the transported wares exceeded regulations to a large extent. "Every indication points to the trade having far exceeded this permiso."[315] It goes without any doubt that the actual trade extended far beyond the 250,000/500,000 pesos allowed by the permiso.

Next to this, the fact that Spanish citizens in Manila had exclusive rights to participate in the Manila trade was also ignored.[316] Mexican and Peruvian merchants found ways to participate directly in the trade in Manila.[317]

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[309] Giraldez, Age of Trade, 149.

[310] Eberhard Crailsheim, Seville and Manila. Illegal trade, corruption, and the phenomenon of trust in the Spanish Empire, in: The International Journal of Maritime History, Vol. 29, No. 1 (2017) 179.

[311] Giraldez, Age of Trade, 149.

[312] Riese, Mexiko und das Pazifische Asien, 34.

[313] Ibid., 34.

[314] Giraldez, Age of Trade, 149–150.

[315] Bjork, The Link that kept the Philippines Spanish, 45.

[316] Chuan, Chinese Silk Trade with Spanish-America, 257.

[317] Crailsheim, Seville and Manila, 179.

Sometimes they went to Manila themselves, made their businesses and returned to Acapulco with the next galleon. On other occasions agents were send to Manila to purchase boletas. These agents were Manileños, citizens of Manila, and therefore allowed to hold boletas.[318] The Mexican and Peruvian merchants usually had much more capital to invest; the purchase of larger amounts of wares meant better price negotiation. The Manileños could not compete with them. The Manila merchants protested to the Council leading to the 1593 decree.[319] However, the fact that there were still complaints following the decree strongly indicates the ineffectiveness of the law.[320] The Manileños claimed that the merchants from the Americas had unfair advantages, such as not needing to participate in local fights.[321] In 1604 to support the Manila merchants, a new law prohibited business trips to Manila. It was ruled that the viceroy must not let anyone go to Manila without this person promising to become a citizen of Manila and staying there for at least eight years.[322]

7.2. Regulation of the Intercolonial Trade

The viceroyalty of Peru was the beginning and the end of the Spanish trade circle with Manila. As it was the home of enormous profitable silver mines, such as Potosí, lots of silver went from Peru to Manila via Acapulco because it was most profitable to sell the silver to Chinese due to less tax burden. There, Chinese goods were bought and finally brought to Peru via the entrepôt of Mexico. In Peru the high silver output led to more purchase power of the people creating a large market for decencies and luxuries.[323] This was a demand Peru could not fulfill itself as its economy was quite mono-structured based largely on silver. Following the Spanish economic policy the way to fulfill the demand would have been to buy goods coming from Spain. As already discussed those goods were expensive due to the tax burdens and were too few in number to cover the demand. Usually this was no problem in a monopolistic economic system as competition was usually forbidden and customers did not have any choice. Thanks to Manila there was another

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318 Schurz, Mexico, Peru, and the Manila Galleon, 391.
319 Ibid., 391.
320 Ibid., 391.
321 Bjork, The Link that kept the Philippines Spanish, 44.
322 Schurz, Mexico, Peru, and the Manila Galleon, 392.
323 Chuan, Trade Between China, the Philippines and the Americas, 281.

option. Chinese wares brought to Peru grew very popular fast. They were cheap, had good quality and Peruvians had enough money because of the silver. In 1602 the viceroy wrote to the king: "The gala dresses and clothes of the women [made of Chinese silk] are so many and so excessive that in no other kingdom of the world are found such."[324] Due to Peruvian demand the Manila trade grew to incredible dimensions. Peru was paramount for the Manila trade as it not only supplied it with silver but also bought the greater parts of the Chinese goods making Peru the primary market for those goods.[325]

The viceroyalty of Peru was the treasury of the empire and Manila intensified the sorrows the Crown had about Peru. All its silver should go to Seville and all demand should be satisfied by Spanish wares – this also included "that Peru be prevented from developing its own production of textiles and wine lest they diminish imports from the Peninsula."[326] To ensure that Peru did not import such luxury and decency goods from New Spain a set of royal regulations and limitations was established. Spain wanted to economically isolate Peru even from New Spain to secure this highly profitable market for the domestic economy. To understand the development of the limitation of the intercolonial trade between New Spain and Peru it has to be kept in mind that Chinese goods entering Peru meant the "ruin of Spanish trade" – it would be ideal for Spain they did not enter Peru at all.[327]

Peruvian merchants had to buy the Chinese wares either directly in Manila, and then ship it via Acapulco to Peru or buy them in Acapulco or buy them from Mexican merchants who re-exported them to Peru. All of these solutions were just second-class solutions for the Peruvians. The best solution would have been a direct trade connection between Peru and Manila like there had been in the first years of the Manila trade. In 1581 and 1582 the viceroy of Peru sent ships to Manila which returned fully loaded.[328] In 1582 the Crown forbade all navigation between Manila and Peru and all direct imports from

[324] Quoted in: Schurz, Mexico, Peru, and the Manila Galleon, 395.
[325] Borah, Early Colonial Trade and Navigation, 123; Schurz, Mexico, Peru, and the Manila Galleon, 394.
[326] Borah, Early Colonial Trade and Navigation, 124.
[327] Ibid., 124.
[328] Ibid., 117.

Manila to Peru.[329] Spain fought Peruvian trade connections with Asia rigorously because of complaints by Mexican and Spanish merchants.[330] Complaints by Spanish merchants are self-explanatory. They wanted to shut down the entire Asia trade of the viceroyalties. The interesting point here is that there were complaints by Mexican's as well. It was highly in their interest to prevent Peru from directly trading with Manila. This way, all Chinese goods for Peru had to pass Mexico, enabling the Mexican merchants to act as middlemen and thus to profit from this action. It seems probable that thanks to the support of Mexico the Crown was actually able to enforce one of its decrees and close this loophole as after 1582 there was no direct trade connection between Peru and Manila.

The next action to be taken by Spain in an attempt to economically isolate Peru was to stop the re-exportation of Chinese wares from New Spain to Peru. This was about restricting the actual intercolonial trade. The vast territories the conquistadors had taken for the Spanish Crown needed some time in order to see the establishment of legislation by the motherland. This was one reason why, for the majority of the sixteenth century, trade and navigation along the whole Spanish-controlled Pacific coast was allowed.[331] "Initially, this freedom came from the lack of any kind of legislation."[332] For example, the shipping between the viceroyalties saw a regulation just in 1551 when it was decided that free shipping was generally allowed as long as taxes were paid.[333] "Free" in this context did not mean that there was no control. Registration and such took place in a wide sense including the restriction on movement of wares as they had to be registered before shipment.[334] Instead, it was meant that ships were generally allowed to sail and transport wares from one viceroyalty to the other as long as they were properly controlled by the officials.

When the Manila trade over-flooded the American markets with Chinese goods the Crown reacted with several restrictions, which mostly just enforced fraud. "Once the Crown began to place restrictions upon shipment of Chinese

[329] Ibid., 118.
[330] Shaw, Mola, A Vital Crossroads, 3.
[331] Borah, Early Colonial Trade and Navigation, 96.
[332] Ibid., 96.
[333] Ibid., 96.
[334] Ibid., 96–97.

goods from New Spain to Peru, smuggling and fraud at both ends of the trade became far more lucrative and took place on a scale that can only be described as gigantic."[335] Spain undertook strong efforts to get rid of this problem.

In a decree in 1604 it was prohibited to carry Chinese wares from New Spain to Peru with the exception of a single ship.[336] Next to this only three ships of 300 tons each were allowed to sail between the viceroyalties per year under the condition that they were loaded with goods originated in the viceroyalties and not outside.[337] From this, it becomes clear that the main problem for the Crown were the Chinese wares and not those produced in New Spain. Also this proves that the Crown knew that Peru could not fully provide for itself but instead needed imports from New Spain. "The terms of this restriction made it clear that at no time did the Crown or the Spanish merchants object to export to Peru of manufactures of the audiencia of Mexico; their concern lay only with the flood of Chinese wares threatening Spanish markets."[338] This way Peru no longer had – at least legally – any chance to get its hands directly on Chinese goods except for this one ship.

Several laws were enforced to support this decree from 1604 which reworked the whole system of the Manila trade.[339] One of these laws set the penalties for ships' officials if their carelessness or criminal behavior lead to the transport of Chinese goods. Interestingly another law of this decree meant that it was allowed to transport goods between the viceroyalties when they were a gift to a church or a charity. This made room for smuggling in the name of the church.[340] The Inquisition was especially active here. Cargo sent to familiars of the Inquisition was not allowed to be inspected by officials. "Much merchandise entered Peru as donations to religious foundations under the claim that such property was exempt from the royal ban."[341]

The execution of all these laws was put into the hands of a special member of the audiencia of Lima who was considered to be extraordinary trustworthy. This indicates that the Crown had its doubts on the members and their general

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[335] Ibid., 114.

[336] Kamen, Empire, 301.

[337] Note that the Philippines was a part of the viceroyalty of New Spain but the Chinese goods did not originate there but from other parts of Asia.

[338] Borah, Early Colonial Trade and Navigation, 126.

[339] Ibid., 126.

[340] Schurz, Mexico, Peru, and the Manila Galleon, 398–399.

[341] Borah, Early Colonial Trade and Navigation, 125.

trustworthiness. It was explicitly ruled that a person had to be chosen in whom "entire confidence" could be placed.[342] The decree was reissued in 1609, 1620, 1634, 1636 and 1706, showing how important this decree was considered.[343] "The reiteration of these prohibitions […] show the anxiety with which the central government attempted to maintain the peninsular monopoly in that region."[344]

The remaining thin trade line between the viceroyalties was limited more and more in the following decades. In 1620, at the pressure of Seville merchants, trade between them was limited to one vessel of 200 tons per year. "Since even these measures did not succeed in shutting off the flow of Chinese goods into Peru, the Seville merchants, acting through their Consulado, pressed the Crown to forbid all trade between the viceroyalties."[345] The need for further actions shows that the laws of 1604 were not fully successful. In 1631 the Crown followed Seville merchants' will and finally did the ultimate action: All trade as well as all navigation between New Spain and Peru was forbidden![346] This was "inevitable under the policy of stopping Chinese imports into Peru."[347] This gives a good view on how serious the restriction of the Manila trade was for the Crown as it even risked the undersupply of Peru. While the measures were partly successful in decreasing the volume of smuggling "a great amount of prohibited goods continued to reach Peru."[348]

8. Reasons for the Disobedience

The Manila trade could not be limited to an extent that would have been satisfying for Spain despite several royal attempts to do so.[349] This was due to the disobedience which was a universal aspect of the Manila trade. From the merchants to the officials, ignoring of royal orders was the common way. "In every respect, the edifice of legal controls was evaded and ignored."[350] A highly meaningful event was when, in 1624, the viceroy of New Spain was

[342] Quoted in: Schurz, Mexico, Peru, and the Manila Galleon, 399.
[343] Bjork, The Link that kept the Philippines Spanish, 48.
[344] Schurz, Mexico, Peru, and the Manila Galleon, 396.
[345] Borah, Early Colonial Trade and Navigation, 127.
[346] Kamen, Empire, 302.
[347] Borah, Early Colonial Trade and Navigation, 127.
[348] Borah, Early Colonial Trade and Navigation, 126.
[349] Bjork, The Link that kept the Philippines Spanish, 40.
[350] Kamen, Empire, 143.

overthrown. He wanted to actually apply the royal regulations and enforce duties and limit New Spain's investments in the Manila trade. Soon he was removed from duty by popular insurrection. This conflict "makes it clear that the audiencia, customs officials at Acapulco and the haute bourgeoisie of Mexico City (and the Mexico City Council) shared certain interests that were damaged by a rigid enforcement of restrictions on trade."[351] The will for disobedience in the overseas possessions was so strong that "there were few men whose resolve, even when fortified by the King's express commission, and armed with the dire penalties provided by the laws, could long face the almost unanimous hostility of citizens and fellow officials to these prohibitions."[352] In this chapter some of the most important reasons as to why this was able to happen are carved out.

8.1. Economic Profit

8.1.1. Viceroyalties

Both viceroyalties greatly profited from the Manila trade and had huge incentive to disobey any royal decrees which aimed at shutting down the illegal trade. It was in their interest to keep up and even increase the volume of the illegal trade. Financial profit was hereby a main driving force.

From the viceroys to the officials, they all profited from the trade. They were often bribed which meant a good source of additional income or they invested in the actual trade. One wonders how the low officials were meant to stay away from illegal activities when their chiefs, the viceroys themselves, on many occasions invested illegally in the galleon trade. It was "customary to retire as a viceroy […] with considerable earnings."[353] Here we see that also "high-level colonial officials were involved in contraband trade."[354] This is the more astonishing as the viceroys usually came from noble families "and the traditions of this class, as well as the viceregal instructions, forbade participating in trade."[355] Similar is true for the judges of the audiencias. They were not allowed to participate in commercial activities but were still involved in commerce, nevertheless.[356]

[351] Bjork, The Link that kept the Philippines Spanish, 47.
[352] Schurz, Mexico, Peru, and the Manila Galleon, 399.
[353] Giraldez, Age of Trade, 154–155.
[354] Bjork, The Link that kept the Philippines Spanish, 48.
[355] Schurz, Mexico, Peru, and the Manila Galleon, 400.
[356] Lang, Conquest and Commerce, 33.

The officials profited from the trade and so did the whole of New Spain. Goods above the allowed limit (permiso) were taxed with an extra 10%. This tax income was divided under the viceroy and officials in Acapulco.[357] Besides that, thanks to the further processing of the Chinese silk in Mexico there was a higher tax base for New Spain and many people found work. Due to these reasons, the officials in New Spain had an incentive to not only maintain but increase the value of the Manila trade.

New Spain had to send money every year to the Philippines to secure its survival. The fact that the archipelago did indeed survive as a Spanish possession is proof that New Spain obeyed this specific royal decree – one of the very few exceptions concerning the Philippines. Paradoxically this obedience can be taken as proof for the common disobedience in New Spain concerning the Manila trade. It can be assumed that New Spain saw this yearly payment via the situado as a kind of investment which secured the existence of the Philippines and thus of the Manila trade. A trade which brought many pesos to the treasury of New Spain and it therefore made sense to invest in it. By investing in the Philippines via the situado New Spain secured this source of income.

Regarding Peru, the second viceroyalty also strongly profited from the Manila trade. To counterbalance Spanish missing production capacities Peruvian merchants bought Chinese wares. Huge profit was made; like in New Spain, the temptation for fraud must have been irresistibly high. It was so high that a ship was illegally sent from Peru to Manila paid for by a couple of Peruvian high officials – among them the viceroy himself![358] This was only the tip of the iceberg as “in Peru, from the viceroy and audiencias down, all officials concerned were in open conspiracy to ignore Philipp II’s command” regarding regulations on Chinese wares coming to Peru.[359] In both viceroyalties corruption in every rank has been nearly everywhere.

8.1.2. Colonial Merchants

The symbiosis between the state and its merchants can be regarded as the fundament of a mercantilist system. The state needed them to do the actual

[357] Crailsheim, Seville and Manila, 179.
[358] Borah, Early Colonial Trade and Navigation, 118.
[359] Ibid., 119.

trading and for building up the tax base. The merchants needed the state for protection against economic competition as well as violent attacks. With view on the Manila trade only one side of this equation was applied. The state to a great extent protected the merchants and secured the monopoly. It militarily defended the Manila Galleons and offered an administrative and juridical system which the colonial merchants greatly profited from.[360] While the state could not fully protect the merchants from smuggled goods at least the state was capable of keeping the official European competition outside. In contrast, with their business activities the merchants not only avoided most taxes, they also imported the competition for the Spanish goods into the empire. In the case of colonial merchants there was an immense gap between mercantilist theory and its practical enforcement.

One can look at the motivation of the colonial merchants for this from two perspectives. Depending on which perspective one chooses, the merchants were either more victims or more offenders. It could be pointed out that most of them were economic victims themselves when taking into consideration that Spain could not supply the Americas with the demanded goods in adequate quantity. The lacking production capacities of the motherland enforced contraband trade. In addition, the high prices of those actually available at the colonial markets made them vulnerable to smuggled ones as those goods were much cheaper due to all the taxes which had not to be paid for them. The taxes "gave smugglers a comparative advantage."[361] There were even more disadvantages of the official trade. The Casa often needed months before all the bullion was correctly taxed. This gave smugglers a time advantage. In addition, illegal goods could not be sequestrated.[362] This explains why illegal trade made lots of sense for colonial merchants.

It was crucial that Spain was not able to shut down the influx of illegal goods. The missing power enforcement abilities of the Crown led to the situation where Spanish goods were being sold alongside illegal ones in the colonial markets. Spain could not economically protect the merchants from the unofficial competition, therefore colonial merchants had to face the illegal

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[360] Crailsheim, Seville and Manila, 176.
[361] Ibid., 178.
[362] Ibid., 178.

competition. This put strong economic pressure on the merchants. They basically had the choice to participate in the illegal trade and make tempting profits or stick to the rules and very likely go bankrupt. If they wanted to stay competitive they had little choice left but to participate in the illegal trade. "To maintain their business, merchants were almost forced to resort to contraband trade."[363] Looking at the situation from this perspective the Crown was not able to economically protect the honest merchants from the illegal competition, giving them hardly any other option than participating in contraband trade.

Now a change in perspective to the merchants as offenders. No doubt that with the illegal trade, gigantic profits were up for grab and that this is what merchants were generally seeking. The Spanish economic system considered this and was built in a way that many merchants greatly profited from it by just following the rules though. In this system they could set the prices and were protected from competition.[364] The theoretical winners of this system were the Crown and the merchants. The customers can be considered as the losers as they had no choice and had to buy the available Spanish wares. While it is true that "smuggling was endemic to the Spanish Empire because of the severe restrictions and plentiful monopolies the Crown imposed on colonial trade"[365] the point is that even with all the restrictions good profits were to be made by sticking to the rules.

Why the colonial merchants damaged the system, despite the theoretical winners of the system, was because they first and foremost had only their own benefit in mind and did not care that much about the domestic economy. They wanted to maximize their potential profit at all costs. While it is not possible to determine all core motivations of these men, one fact strongly supports this greed-explanation. The merchants sent their silver to Manila! As already discussed, it can be understood why they bought Chinese goods – the missing production capacities of the motherland made this a necessary evil.[366] This does not explain why they did not at first send their silver to Seville and <u>afterwards</u> bought the Chinese wares. They could have just counterbalanced

[363] Ibid., 178.
[364] Fisher, The Economic Aspects of Spanish Imperialism, 48.
[365] Olson, Historical Dictionary, 561.
[366] Fisher, The Economic Aspects of Spanish Imperialism, 66.

the missing trade capacities by buying Chinese goods, but by sending not fully taxed silver to Manila they went one step further. This was not necessary to counterbalance the missing capacities of the motherland. Instead, what the merchants wanted was to make more profit than what was possible within the Spanish system. If the merchants had bought the Chinese wares with properly taxed silver, the Crown would not have lost the tax income and the merchants could not have offered those goods on the colonial markets at such a cheap price – the price difference between Spanish and Chinese goods would not have been that large thus, the effect of the market entry of the Chinese goods would not have been that damaging to Spain.

The colonial merchants had strong economic pressure to participate in illegal activities. Still, there could have been united efforts of the merchants to stop the inflow of illegal goods. When dealing with the Manila trade one often gets the feeling of facing actors who had a strong sense of irony: It seems probable that the merchants, well organized in the consulados, not only did not unite in stopping the inflow of illegal goods, it appears that there have been united efforts of the colonial merchants in favor of the illegal behavior. The amount of silk brought to Acapulco may have actually been regulated by the colonial consulados! "The level of trade was determined less by the authority and instructions of the Crown than by the preferences of the consulados of Mexico and Lima."[367] The merchants had an incentive to not place too many Chinese goods on the market as this would have lowered the prices.[368] This indicates that the illegal trade was not – besides the amount of ships per year – unregulated and wild. Instead, it may have been that the members of the consulado – nothing less than the whole body of merchants within the area of influence – made united efforts in regulating a trade which was illegal. This united regulation can be interpreted as a general acceptance of the illegal behavior. If they were able to keep the quantity at a desired amount it seems realistic to assume that they could have lowered it to the point where no illegal trade was going on.

The most ironic point here is that the merchants had argued for the creation of a colonial consulado with the advantages for the Crown. When in Lima

[367] Fisher, The Economic Aspects of Spanish Imperialism, 66.
[368] Ibid., 66.

efforts started for the creation of a consulado – which became reality not before 1613 (petitioned in 1593 but probably delayed by opposition[369]) – they needed royal acceptance. To defend their plans they argued that without a consulado they would lose money because they would have no sufficient support in their trading activities and this would damage the general welfare as well as the Crown's income.[370] They argued using the positive effects of a consulado on royal income but in the long-run they most likely used the consulado to undermine the Crown's will.

8.2. Weaknesses of Spanish Ruling

8.2.1. Administration

In the very core of the Habsburg administrative system weakness was to be found; this weakness was intentional! What is meant by this was the premeditated implementation of diffuseness concerning the powers and authorities of the institutions. On top of the hierarchy of course was the king, followed by his advisory bodies such as the councils but then the separation of powers below these positions – especially in the colonial administration – was usually unclear.[371] Several institutions had the same powers.[372] "There never was a clear-cut line of demarcation between the functions of various governmental agencies dealing with colonial problems."[373] There were no precise answers to questions like which institution held exactly which powers and which had more powers in a certain field than the other. Equal responsibilities were given to different institutions.[374] The powers were overlapping and not exactly defined and there have been less hierarchical structures and more equal level institutions.[375] The power separation was generally in such a way that one institution either needed the help of another to take actions or that one institution could be blocked easily by another one. This made direct actions difficult as a consensus was necessary for this which was not easily reached.[376] It was a general "diffuseness of the Hapsburg

[369] Smith, The Institution of the Consulado in New Spain, 71–72.
[370] Smith, The Institution of the Consulado in New Spain, 72.
[371] Haring, The Spanish Empire, 112–113.
[372] Phelan, Authority and Flexibility, 53.
[373] Ibid., 53.
[374] Lang, Conquest and Commerce, 39.
[375] Ibid., 39.
[376] Ibid., 60.

bureaucracy."[377] A very good example was the relationship between viceroys and the audiencias. They had overlapping powers and their exact accountability was not clearly defined.[378] In addition, not every audiencia had the exact same authority and the viceroy's exact powers depended on his personal linkage to the king; they could change from each individual viceroy to viceroy.[379]

Many administrative conflicts between institutions arose which led to lots of stalemates. Occurring conflicts between institutions were unwanted effects of an otherwise intended diffuseness. This diffuseness was considered to be the only way to control the vast overseas territories. It played "an important role in helping to integrate a diverse society" because no institution could dominate the other – a consensual government was important.[380] "The very diffuseness of the Habsburg bureaucracy created a sponge-like structure that absorbed the energy of conflict."[381] Besides that, it functioned as a system of checks and balances.[382] Institutions with equal-level powers can control each other better than those with a strong hierarchy between them.[383]

Besides that, the Crown could not hold a very tight grip on its overseas possessions as it was dependent on the cooperation of the locals due to missing governmental capacities to directly enforce its will. "By the late sixteenth century, effective political and economic power in America was firmly in the hands of the settlers rather than the Crown."[384] For Spain it was only possible to remain in control by consensus and promises with the locals. Spain wanted to avoid a tight grip as this could have lead to unrests. "The world's greatest empire of the sixteenth century, consequently, owed its survival to the virtual absence of direct control."[385] One has to take into consideration hereby that most of the control of the colonial possessions was taken by Spain without direct military power. This of course made any attempt at enforcing laws without the cooperation or even against the

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[377] Ibid., 41.
[378] Ibid., 39.
[379] Ibid., 31.
[380] Ibid., 39.
[381] Ibid., 41.
[382] Elliot, Empires of the Atlantic World, 138.
[383] Phelan, Authority and Flexibility, 53.
[384] Kamen, Empire, 142.
[385] Ibid., 142.

opposition of the colonial locals very difficult; however, it also proves that the administration functioned on a basic level as it could maintain law and order without much use of military force for the majority of the time.[386]

This unclear power separation opened gates for disobedience. “The success of contraband trade was linked to the nature of the bureaucracy.”[387] As there was no power in the Americas having clear authority above others, this made room for lots of blind spots in which disobedience could take place. Even if some viceroys tried to take action against the disobedience they had to nearly certainly face the resistance of, for example, the audiencias. For the Crown the maintenance of inner peace seemed to have been of greatest importance, even more important than royal financial profit or the obedience of orders. “The concern was not simply the increase of revenue or the more efficient exploitation of colonial society.” [388] The social harmony was absolute paramount for Habsburg bureaucratic thinking. Striking proof for this was when in 1634 a visita-general was sent to an audiencia in Peru to investigate. There the visita-general soon uncovered the illegal activities of the high officials. Rightfully he suspended all the judges of the audiencia. He was about risking the social peace by making it public how corrupt the officials were. When this became known to the Council he was recalled. The official reasons were that he had disturbed the further functioning of the audiencia and in addition, he had discredited the institution itself in the eyes of the people.[389]

The mindset of the Habsburg administration can be summed up pretty fittingly in the clause “I obey but I do not comply.” Officials were given herein the right to postpone royal decisions by saying those words while symbolically placing the letter which contains the royal decree on their head.[390] By applying this clause – incorporated as a law in 1528 – officials had the right to reject the enforcement of a royal order. [391] “I obey” stood for the acceptance that the Crown has all power and legitimacy.[392] If the Crown

[386] Phelan, Authority and Flexibility, 48.
[387] Lang, Conquest and Commerce, 59.
[388] Ibid., 42.
[389] Ibid., 42.
[390] Elliot, Empires of the Atlantic World, 131–132.
[391] Ibid., 132.
[392] Phelan, Authority and Flexibility, 59.

was correctly informed about the local situation, its will was right and absolute. The “I do not comply” meant that the Crown may not be correctly informed about the local circumstances and thus made a wrong or unjust decision.[393] It was foreseen that not every time the Crown would be able to gather enough information to choose the perfectly fitting laws for the overseas possessions. The locals were supposed to have better information and therefore able to make the best choice.[394] Via this clause the officials were given the chance to postpone the royal decision if it would cause injustice or problems for the society until the Crown would be fully informed.[395] Officials applying the clause had to justify their unwillingness to execute the royal order to the Council. The Council then reviewed the order and reordered or changed it. [396]

Within this system the colonial official “constantly needed to strike a delicate balance between the orders of his superiors in Spain and the dictate of local pressures.”[397] The sense behind this was that it was considered that the officials needed freedom in the execution of orders as they understood the local situation the best and therefore could chose the best option to keep the social peace. This clause could be exploited easily though. The officials “often united with other officials in the neighborhood in a common conspiracy to disregard restrictive laws.”[398]

This was all intensified by the slow communication possibilities of that time. Complying to royal will required information to be sent to the Crown to ask for instructions, but such a request often took two years.[399] “Administratively, the space-time obstacles forced Spain to devolve considerable responsibility upon colonial officials.” [400] A viceroy summed up the problematic communication in the following words: “If death came from Madrid, we should all live to a very old age.”[401]

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[393] Ibid., 59.
[394] Ibid., 57.
[395] Ibid., 59.
[396] Ibid., 59.
[397] Ibid., 59.
[398] Haring, The Spanish Empire, 114.
[399] Parry, The Spanish Seaborne Empire, 205.
[400] Elliot, Spain and its World, 160.
[401] Ibid., 14.

The system with which Spain governed its overseas possession was characterised by the considerateness of local interests. It was realised that governing against local interests could not work. “There was no jurisdiction which could not be inhibited and no decision which could not be reversed.”[402] The fear of rebellious actions was distinct. Therefore, room was given to American officials and institutions to adapt royal decrees to local circumstances to avoid crises and solve conflicts.[403] Besides that, equal level institutions were implemented which controlled each other and reported to the motherland. This enabled easier control and social peace but enabled loopholes for disobedience.

8.2.2. Dependencies of the Crown

The Spanish Empire could only function with the support of privates. Right from the start of the Spanish overseas empire Spain was dependent on them. For example, Christopher Columbus’ voyage was only partly financed by the Crown; to the greater parts it was financed by private actors.[404] The exploration and conquest of the Americas were achieved by private initiatives, to a large extent.[405] Conquests were cooperations between the Crown and privates in which the Crown just gave its formal sanction and provided institutional support.[406]Afterwards the exploitation of the American riches was done via privates too. For example, Spain did not mine in the Americas itself but delegated the rights to privates.[407] Private initiative, money and knowledge were decisive in the conquest, exploitation and maintenance of the overseas possessions. This was also true for the Philippines. As an example, Legazpi had sold most of his property to contribute to the financing of the expedition.[408]

From the beginning the Crown had to delegate rights and privileges to privates as it was lacking the necessary capital and knowledge to take advantage of its overseas possessions. Here we have an immanent weakness

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[402] Parry, The Spanish Seaborne Empire, 206.
[403] Elliot, Empires of the Atlantic World, 133.
[404] Davis, The Rise of the Atlantic Economies, 40.
[405] Storrs, Empire and Bureaucracy, 296; Davis, The Rise of the Atlantic Economies, 39.
[406] Giraldez, Age of Trade, 2.
[407] Elliot, Empires of the Atlantic World, 93. The only exception was the mercury mine at Huancavelica, Peru. Dennis O. Flynn, Fiscal Crisis and the Decline of Spain (Castile), in: The Journal of Economic History, Vol. 42, No. 1 (1982) 141.
[408] Giraldez, Age of Trade, 2.

of the Crown when it comes to its overseas possessions. “Because of the great distances involved, and the complete lack of necessary resources, Spain could not control America [and the Philippines] through conquest or coercion.”[409] Instead, the help of privates was needed. The required decree necessary to guarantee efficient communication, trade and the transportation of goods within the Spanish Empire could not be fulfilled by Spain, “virtually all the important operations were therefore contracted out.”[410] The consulados are a proof for this weakness. The Crown was not able to do the trade itself and thus had to delegate power to those private associations. In addition, even the collection of taxes in the overseas possessions was contracted to local tax farmers, since there were no internal revenue officials.[411]

Most operations were done by individuals. The Crown acted as gatekeeper for duties and privileges given to privates – such as the “adelantamientos” (military commands) and the “repartimientos” (authority over indigenes, an important part of the encomienda system) – and took its share via taxes. What the Crown did not build up was a working system of exploitation and administration which was not dependent on privates. All legislation, personal decisions etc. were set up in Spain (for the overseas possessions by the Council of the Indies) but had to be implemented by local actors in the Americas. Although the origin of important decisions thence lay in Spain, the help of American actors was required to make things work.

All this outsourcing of power had two issues. First, the privates carrying out the actions instead of the Crown meant less royal profit as they took their cut. Second, and for the case of Manila more important, no tight grip on those actors was possible. The Crown was dependent on them; thus it was in no position to take back most privileges or to enforce laws in a rigorous way as this would have triggered the united malevolence of those actors. The Crown had to secure their benevolence as the empire was built upon their help. Unfortunately for the Crown this dependency created power on one side and weakness on the other, the royal side of this relation.

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[409] Kamen, Empire, 142.
[410] Ibid., 288.
[411] Ibid., 288.

Two groups of actors can be made out that were important for the Spanish Empire as a whole, and especially for the Manila trade. Merchants and officials. Silver was the backbone of Spanish imperial ambitions. The merchants supplied Spain with it creating a dependency of the Crown. Spain could not fight the fraud with full power and had “no desire to do so for the sake of the general commerce and the provision of its American territories.”[412] As already mentioned Spanish ruling was just possible by cooperation with the local officials. To secure this, freedom was given to the locals. They had a great range of their own decision-making. As long as they did not act against Spain in a rebellious way, not too harsh treatment was put on them for misbehavior such as corruption. The granting of the “I obey but do not comply” clause undermines this. Especially to its own subjects the Crown was very lenient in terms of economic misbehavior.[413] Illegal trade was not very harshly punished. The merchants found guilty usually had to pay a fee and then granted amnesty.[414] Officials found guilty of fraud either had to pay fines or lost their jobs but were not sentenced to death and were rarely send to prison.

In both cases, those of the merchants and the officials, the Crown was greatly dependent on them and therefore had to more or less tolerate their misbehavior as long as it did not threaten the empire in an existential way. By relying on corrupt officials and greedy merchants the Crown had to “choose one evil over the other.”[415] The weaknesses of Spain concerning the fulfillment of governmental and economical tasks were counterbalanced by the partly toleration of illegal behavior. In the case of the Philippines another aspect worsened the situation. The climate and the distant location of this possession made it a constant problem to attract Spaniards to go there. Therefore, the Crown had to accept at least parts of the Manila trade as this was “the only lure which could induce a sufficient number of Spaniards to go to the distant archipelago and help to carry out the policies of the Crown.”[416]

[412] Crailsheim, Seville and Manila, 178.
[413] Lang, Conquest and Commerce, 59.
[414] Crailsheim, Seville and Manila, 178.
[415] Ibid., 180.
[416] Legarda, Two and a Half Centuries, 355.

All in all, by granting freedoms for illegal behaviors Spain "bought" cooperation of colonial officials and merchants. "Without these elite's support, the empire in America would have crumbled; profits generated by the commercial exchange across the Atlantic and the Pacific sustained their loyalties."[417] The Crown knew that the strict enforcement of rules would lead to conflicts with colonial actors. "The Crown would find itself forced to make open or tacit compromises in its struggle to get its commands obeyed."[418] This was how the empire was kept alive. The area of government in which these governmental weaknesses were the most serious was very probably the economy with the breaking of the trade monopoly. [419]

8.3. Non-Economic Profits

8.3.1. The Crown and the Maintenance of the Philippines

When dealing with all this disobedience regarding the Manila trade and the royal money loss, the question arises why the Crown nevertheless permanently took efforts to maintain this possession for example by financing the Manila Galleons. As already shown the Philippines did great damage to Spain. It set the basis for fraud and tax losses in enormous spheres, enabled Chinese goods to enter the American markets and thus contributed in undermining the Spanish authority not only on the archipelago but also in the viceroyalties due to the intercolonial trade. In addition, for the possession's administration costs the Crown had to pay. As the Philippines did not supply Spain with resources in exchange this made it a net burden. Although economic reasons had been one of the driving forces for the Crown's financing of several missions to the Philippines – economic profits were no reason for keeping the possession.[420]

Spain did not stop the damaging illegal part of the Manila trade although several efforts were made. Disabilities, weaknesses and defaults to enforce its will underline the impression that the Crown had no choice but to accept the disobedience as it did everything in its power to stop the trade. This paper argues that actually the Crown had an instrument to stop the Manila trade, although it never used it. It could have abandoned the possession! Even after

[417] Giraldez, Age of Trade, 4.
[418] Elliot, Empires of the Atlantic World, 130.
[419] Storrs, Empire and Bureaucracy, 303.
[420] Olson, Historical Dictionary, 357–358.

the illegal Manila trade was already established as high-volume trade, it seems legit to assume that the Crown would have had the power to shut down any trade with Manila. This could have been done by the complete prohibition of any navigation between the Americas and the Philippines. Spain would have just needed to stop the financing of the Manila Galleons and to close Acapulco for the Manila trade. The Crown was already successful in closing all other American ports for the Manila trade. Therefore, it seems realistic that the Crown could have completely shut down any navigation. Of course this would have meant the end of the Philippines as a Spanish possession because officials and subsidies could not have been sent there anymore. The main point here is that the Crown had agency because it could have shut down the trade at any time.

There was pressure put on the Crown from different sides to abandon the possession. In Spain several proposals were made to abandon the Philippines, such as the one of the Council in 1580.[421] Next to this, there was communication of governors, archbishops, and other colonial officials next to politicians and merchants that tried to "make clear their conviction that maintaining the Philippines was a losing proposition for the Spanish Empire."[422]

The Seville merchants especially have to be named as enemies of the Manila trade. The trade took away the market for Spanish wares which were theoretically secured by the economic policy of Spain. The illegal import of Chinese goods opened up competition where no competition should have been. Spanish wares did not compare with Chinese goods when it came to price. Here we have two problems of those Seville merchants which originated at the Crown. First, the Crown was not able to shut off the influx of Chinese goods and was not able to tax it properly. Second, the Crown taxed the Spanish goods successfully. The royal taxation even enforced the competition problems of Spanish goods. Therefore, those merchants' interests were paramount in the regulation of the Manila trade and the intercontinental trade.

[421] Legarda, Two and a Half Centuries, 355; Headley, Spain's Asian Presence, 635.
[422] Bjork, The Link that kept the Philippines Spanish, 34.

The Crown at first view had lots of reasons to abandon the Philippines. However, it did not abandon it despite its knowledge about the illegal activities and its very likely power to do so. It therefore has to be concluded that the benefit taken from its possession exceeded the costs/damages. This sounds paradoxical unless non-economic aspects are taken into consideration. The benefits Spain took from the Philippines were not economic ones – money was not the top priority here. Instead, it was about one of the main driving forces of Spanish policy in the Early Modern Era – the imperial ambitions.

8.3.2. Imperial Ambitions

A collection of reasons such as military, religious and prestige ones, which are in this work subsumed under the term "imperial ambitions", were the main reasons why Spain did not abandon the Philippines.[423] The religious and missionary goals of the Crown were of especial importance hereby.[424] Evangelization was an imperative in Spain's colonial ambitions as it functioned as justification for the colonial enterprise.[425] Next to this, it gave lots of prestige. While greed for silver and gold may have been a major driving force for the conquest of large parts of the Americas, evangelization offered the official legitimisation for it.[426] "No empire in modern times has been built upon such solid and extensive theological […] foundation" as the Spanish.[427] This was not just a saying without doing. Spain actually undertook actions to evangelize its new subjects in the Americas. For example, the encomienda system included that the encomenderos had to teach the natives in the Christian faith. This did not turn out the way it was supposed to, nevertheless, there were efforts of the Crown to evangelize.

This way of justifying Spanish expansion brought problems soon enough. It was not compatible to claim to evangelize the natives and at the same time let the brutal exploitation of those by the encomenderos happen. "The conduct of the settlers ran counter to the official policy of both Church and Crown."[428]

[423] Ibid., 34.
[424] Giraldez, Age of Trade, 75.
[425] Lynch, Spanish Colonial Sovereignty, 85.
[426] Davis, The Rise of the Atlantic Economies, 40.
[427] Olson, Historical Dictionary, 118.
[428] Ibid., 117.

The Laws of Burgos from 1512/13, the acceptance of the natives as subjects of the Crown and the abolishing of the encomienda system, show that Spain indeed took efforts to maintain the credibility of the justification. It seems probable that when Philip II sought to prevent the brutal conquest methods used in the Americas by the conquistadors he did this because "that had done much to belie Spanish attempts to legitimate the colonial enterprise in the name of Christianity."[429] Although as already mentioned the conquest of the Philippines was not possible without the use of violence, it was no comparison to the conquest of the Americas, especially as slavery was forbidden rather early. Church and state were united in putting an end to slavery there. In 1589 a royal decree demanded the emancipation of those slaves already in the Philippines and in 1591 a papal bull forbade slavery on the archipelago generally.[430]

Next to this, Spain was fast in creating a legal-spiritual framework for its ruling over the Philippines. In 1582 there was a synod "to formulate a novel theory upon which Spain would stake its legal claim to sovereignty over the archipelago."[431] It was concluded that the Crown "held a certain quasi-imperial authority over the natives by virtue of the supposed 'higher spiritual goal' that motivated the colonial endeavor."[432] The natives became subjects of the spiritual sovereignty of the Pope but remained Spanish subjects as the Pope delegated his powers to the Crown.[433]

Evangelization was a justification as well as a driving force for the conquest and maintenance of the Philippines.[434] It has already been pointed out that the royal will was decisive for the incorporation of the possession into the Spanish Empire. The Crown had no incentive to search for a perfect entrepot location for trade with the Chinese – just when Legazpi was already on the Philippines the Spaniards even realised there exists a trade connection between the Philippines and the Chinese. The initiative of taking control of the Philippines was not based on the potential economic connections with

[429] Lynch, Spanish Colonial Sovereignty, 85.
[430] Legarda, Two and a Half Centuries, 360.
[431] Lynch, Spanish Colonial Sovereignty, 88.
[432] Ibid., 88.
[433] Ibid., 88.
[434] Headley, Spain's Asian Presence, 635; Bjork, The Link that kept the Philippines Spanish, 35.

Chinese but about religious connections with them. The Philippines was considered a necessary base from which China could be evangelized.[435] The role it could play in a potential missionising of China was valued very highly by the Crown. “The major argument in favor of retaining control over the Philippines was protecting the scope for missionary activity that it supposedly afforded the Spanish.”[436]

Following their imperial ambitions the Spaniards often tried to enlarge their influence with evangelization as well as with military actions. China can be seen somewhat as a link of those two instruments. There were not only plans to evangelize China but also to conquer it.[437] In 1586 all officials of Manila signed a paper that proposed to the Council an invasion of China.[438]

Besides the evangelization there was another major imperial reason to maintain the possession. In the mercantilist thinking the possession of overseas possessions meant prestige. By maintaining a possession in Asia, Spain’s self-image of a truly global world power could be enforced. A chronicler-cosmographer wrote: “Your Majesty has acquired another hemisphere and half of the world comprising no less land than that of Asia, Europe, and Africa hitherto known.”[439] Herein we see that the control of the Philippines enabled a new narrative for Spain: Spain as controller of Asia.

In addition, it was seen necessary to maintain a counter-balance to the Dutch presence in the Pacific – especially in South East Asia the Dutch had been very present.[440] At the time around 1600 the Protestant Seventeen Provinces fought against the Catholic Spain for their independence in the Eighty Years’ War (1568–1648). This war was not exclusively fought in Europe but also in the oceans of the world. It was a war about the economic hegemony.[441] Hostilities in the Pacific were “part of the worldwide Spanish-Dutch hostility of this time.”[442] Therefore, “the early modern Philippines is best visualised against a backdrop of the Spanish Empire’s global struggle for economic and

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[435] Bjork, The Link that kept the Philippines Spanish, 35.
[436] Ibid., 35.
[437] Geoffrey Parker, The Grand Strategy of Philipp II (New Haven/London 1998) 8.
[438] Kamen, Empire, 225.
[439] Headley, Spain’s Asian Presence, 646.
[440] Bjork, The Link that kept the Philippines Spanish, 38.
[441] For more about the Spanish-Dutch rivalry in the Pacific see: Giraldez, Age of Trade, 94–99.
[442] Pearson, Spain and Spanish Trade in Southeast Asia, 133.

political hegemony against the Dutch."[443] The Philippines as the largest Asian possession of Spain played an important role here. For example, there were fights in the Pacific against the Dutch which were paid for by the situado which was send to the Philippines.[444] It was feared the abandoning of the Philippines would invite the Dutch to take over the archipelago.[445] A contemporary Spanish voice noted: "And if the banners of your Majesty were driven from the islands, the power and arrogance of Olanda [the rebelling Netherlands], which would dominate all the wealth of the kingdoms of the orient, would greatly increase."[446]Also it was a consideration back then that the illegal Manila trade not only hurt the Crown, but other European powers as well. It was argued that it was better to have the silver going directly to China instead of going via the Atlantic trade to European middlemen and from them to China as most of those European middlemen were enemies of Spain.[447] Here we see that "the argument for keeping the Philippines […] has everything to do with imperial rivalries in Europe."[448]

These reasons were known at the time and can be considered to be important elements in the Spanish decision-making. In 1637 Grau y Monfalcon, a high Spanish official sent to the Philippines, summed up five reasons for keeping it as a Spanish possession.[449] According to him the archipelago could be used as a basis for evangelizing Asia, to disrupt the Asian trade of the Netherlands, to defend the Asiatic and American possessions and to increase Spanish reputation.

Spain wanted to shut down the illegal Manila trade but applying rigorous methods like the forbidding of the whole trade route would have endangered the existence of the possession. The top priority was the securing of the Philippines as a Spanish possession. The Crown knew about the illicit trade. It could have completely shut it down by giving up the Philippines but it did not do so. It wanted to maintain control of it and because of this it had to tolerate the illegal trade. Without this toleration the trading activities could

443 Flynn, Giraldez, Spanish Profitability, 33.
444 Ibid., 33.
445 Giraldez, Age of Trade, 75.
446 Juan y Monfalcón, Memorial informativo, 86–87.
447 Bjork, The Link that kept the Philippines Spanish, 36.
448 Bjork, The Link that kept the Philippines Spanish, 38.
449 Crailsheim, Grenzregion Philippinen, 31.

not have been carried out as the Crown provided the legal, administrative as well as logistic (the galleons were financed by it) framework for the whole trade. In maintaining control over the Philippines, Spain had to tolerate the illegal trade and in turn, even support it "as the only means of maintaining a foothold in Asia."[450] For the Crown it was not all about money. This disobedience was accepted as long as it did not threaten the existence of the possession.

The situado sent from New Spain has to be seen in this light as this was an indicator that local actors used the royal need to keep the Philippines alive for their advantage. The need to keep the Philippines alive was the motivation for the ordering of the situado and not economic thoughts of the Crown because "the subsidy of the Philippines by New Spain violated contemporary mercantilist and bullionist principles defining the role and purpose of oversea possessions."[451] By paying for Manila via the situado, New Spain made concessions to the Crown on a very fundamental basis. New Spain must have known that the loss of the possession was no option for the Crown. Heavy direct royal intervention would for sure have been the outcome if the possession was in existential danger due to lacking support of the viceroyalty. Everything next to this was not an absolute core interest for the Crown – so correct taxation and registration cannot be considered a core interest here. By supporting the imperial ambitions of Spain, New Spain had freedom for disobedience. Therefore, it can be said that for colonial actors often the credo was true: Obedience whenever necessary, disobedience whenever possible.

All in all it can be said that the profits the Crown made from the Philippines were greater than the losses – as long as non-economic aspects are included here. Imperial reasons gave the motivation for royal actions although the Philippines were in opposition to mercantilist logic as they were, for example, not self-sufficient.[452] Completely prohibiting the Manila trade would "jeopardize the maintenance of Spanish power and prestige in the Orient."[453] Therefore, royal policy regarding the Manila trade was directed in the way of

[450] Bjork, The Link that kept the Philippines Spanish, 37.
[451] Ibid., 34.
[452] Ibid., 39.
[453] Legarda, Two and a Half Centuries, 357.

limiting the trade and not completely forbidding it.[454] Non-economic factors were of greater importance hereby than economic ones. In this sense for Spain it cannot be said that the economic system was about “protectionism at any price” [455] – there was one price the Crown was not willing to pay and that was the abandoning of the Philippines. It has to be kept in mind that the Manila trade damaged Spanish interests but it did not threaten the Spanish colonial system on a fundamental level as “royal authority was maintained in the Indies and successive Spanish monarchs received substantial bullion revenues from there.”[456]

9. Conclusion

On a macro-level perspective, the interplay of the main Spanish actors concerning disobedience around the Manila trade has been researched in this paper. The first part of this work dealt with the problems and the course of the Philippines becoming a Spanish possession as well as the characteristics of the first years of Spanish ruling there. Several Spanish efforts were taken to set the juridical basis for claims on the archipelago as well as the actual conquest of it. While still depending on private help nevertheless, it was the Crown that was the driving force behind making the Philippines a possession by negotiating several contracts with Portugal and investing money and ordering voyages. Royal agency remained when the conquistadors of Legazpi made first efforts of utilizing the Philippines. The forbidding of the establishment of further encomiendas was a clear sign of the enforcing capabilities of the Crown. The Pacific was not a barrier to royal will per se. Here the Crown could harmonise imperial theory and reality. Indeed, this indicator of royal strength has a bad after-taste because it has to be assumed that the Spaniards on the Philippines willingly gave up the establishment of new encomiendas because the Manila trade offered them easier and greater profit. In this sense, at the beginning the Manila trade supported the enforcement of royal decrees.

[454] Ibid., 348.
[455] Spate, Spanish Lake, 206.
[456] Storrs, Empire and Bureaucracy, 304.

Afterwards the Manila trade itself came into the focus. The trade was driven by the isochronal silver hunger of China and large silver mines under Spanish control. Supply and demand met at Manila; the trade generated great profits for the participating actors. An indicator for this was the high volume of the Manila trade. Around 1600, no greater trade exchange was imaginable at that time – the Atlantic silver trade was perhaps even smaller than the Manila trade at this time. A thin linkage connected the different continents. Only about two galleons crossed the Pacific coming from Acapulco loaded with the white metal and returned from Manila with Chinese wares on board per year. The permitted number of ships and the only allowed harbor to be navigated to, Acapulco, were ordered by the Crown. Here again royal agency set the framework in which the colonial actors did their businesses. The characteristic of the Manila trade helped to enforce royal will here as well because By following the royal order of only two galleons crossing the Pacific per year the merchants actually maximized their profit, making it easy to obey.

The next chapter regarded the way Spain ruled its overseas possessions. The Crown delegated power to institutions, which were responsible for the administrative and economic control of the overseas possessions. In the overseas possessions the top tier of the administration was constituted by the viceroys and the audiencias. Both of those institutions were equally powerful. On the one hand this made mutual control possible to the satisfaction of the motherland. On the other hand this was the core for conflicts of competence. Concerning the economic aspect, it is important to point out that one cannot speak from a homogenous group of Spanish merchants. Instead, the most influential groups of them were not only separated by the Atlantic but also by different interests. While many of the colonial merchants profited from the Manila trade those from the Casa de Contratación could not participate in this trade and in addition saw their business damaged by the import of Chinese wares. Furthermore, it could again be shown that the Crown had agency within the core mechanics of its administrative system as two instruments were at hand, the visita and the residencia, to enforce obedience and punish disobedience. Then special emphasis was set on the close interactions between New Spain and the Philippines. New Spain was more than just the middleman between Manila and Peru and must not be underestimated in the power balance concerning the Manila trade. The Philippines were completely dependent on New Spain – administratively as well as economically. Without the subsidy from New Spain the Manila trade would not have been possible. Royal will demanded New Spain to send money on a yearly basis to the archipelago. This will was enforced but again the Manila trade helped. New Spain greatly profited from the Manila trade and therefore the sending of the yearly subsidy can be seen from the point of view of the viceroyalty as a need to keep this source of income alive.

After the administration the weaknesses of the economic system of Spain were being dealt with. Generally speaking, in the Spanish system the overseas possessions were to financially support the motherland. Overseas possessions were important – without a doubt – but their individual development was of no greater significance. The system got problems when merchants from the motherland were not able to satisfy the demand of the overseas possessions. Missing production capacities in the motherland as well as the disadvantageous economic situation for the overseas possessions – manifesting in high prices to be paid for goods – built the fertile soil for contraband trade of all kind. One of the largest and most damaging of those was the Manila trade. From Manila, the colonial markets were not only supplied with cheap Chinese goods but in addition immense quantities of not fully taxed silver went to Manila. Manila enabled large-scale illegal activities and it was a net burden for Spain to maintain the Philippines. This way the Crown took financial damage on all imaginable levels from its largest Asian possession.

The next chapter was about the Crown reacting to the negative effects of the Manila trade. Here a distinction was made between the two spheres of the Manila trade, the actual trade route between Manila and Acapulco and the re-exportation of goods from Acapulco to the viceroy of Peru, the intercolonial trade. It was argued that the Manila trade was not possible without the intercolonial trade. In both cases the Crown limited and regulated the permitted quantities step-by-step via a strict set of rules and regulations. Concerning the Acapulco-Manila trade royal efforts were effective in keeping Peru out of the direct linkage. It has to be assumed that interests of New Spain played a major role hereby. New Spain profited from its role as middleman between Chinese wares and Peruvian customers. That is why it was in New Spain's interest to keep Peru out of the direct trade. It seems probable that here again colonial interests helped enforce royal will. In the case of the intercolonial trade the Crown went so far as to completely shut down any trade linkage – a step which was never undertaken for the Acapulco-Manila connection.

In the final chapter the main reasons for the disobedience around the Manila trade were carved out. Three spheres were identified.

First, the economic profit. This was the most obvious reason. Both viceroyalties profited from the Manila trade. Many officials up to the viceroy either invested in the trade or took bribes. Goods brought to Acapulco coming from Manila that exceeded the allowed limits were taxed with 10%. This tax went in the pockets of the officials as well as the viceroy. In addition, Mexico was heavily involved in the further processing of Chinese silk. Besides that, the merchants took their share of the illegal trade as well. It was shown that greed was hereby a strong driving force and only to a lesser decree economic pressure. The economic pressure was lightened when Chinese goods satisfied the colonial demand that Spanish products were not able to satisfy either in quantity or to a reasonable price. The greed came into being when those goods were bought with not fully taxed silver as this was not necessary to counter-balance the missing production capacities. This paper argued that this is not explainable with economic pressure alone. The missing production capacities of Spain could have been counterbalanced without sending not fully taxed silver to Manila. Furthermore, it was probable that the merchants, via the consulados, supported the illegal Manila trade by actually regulating it. Instead of united efforts against the illegal trade they took united efforts in favor of it. For both colonial actors, merchants and officials, it can be said that "Profits from the traffic were too large, the bribes too tempting, to be given up because of a Crown policy."[457] The loyalty to the own wallet weighed more than the loyalty to the Crown.

Second, the weaknesses of Spain. There was an immanent weakness in the administrative system of Spain which manifested itself for example by

[457] Borah, Early Colonial Trade and Navigation, 125.

tolerating and even promoting different equal level institutions. This gave room for disobedience. Spain built an administrative system in the overseas possessions around the fear of open rebellion. Missing capacities of the state were counterbalanced by freedom of actions for officials as well as privates that had its price. The acceptance of misbehavior was part of a Spanish system which was above all others concerned about the social peace within the overseas possessions. By not fighting illegal activities with full power and by not punishing the contraband merchants and corrupt officials too hard the Crown made sure that they supported the overall system. This was a cornerstone of the Spanish Empire as it was dependent on the support of privates and of the loyalty of its officials. Seeing it from this perspective the illegal trade was utilized by Spain for the guarantee of social peace and for the counter-balancing of missing state capacities.

Third, non-economic profiting from the Manila trade was identified. This is an especially crucial point for the understanding of the longevity of the Manila trade as in this case the Crown was the profiteer. This chapter insisted that the Crown had a Sword of Damocles within reach of its power, which was the complete shutting down of the Manila trade. The reason why this instrument was never applied is that this would have meant cutting the life linkage of the Philippines. As a direct consequence, the possession would have been lost for Spain. The imperial ambitions – including evangelization of the natives, the possible evangelization of China and rivalry with the Dutch – demanded Spain to sacrifice its authority here because the giving up of the Philippines was not an option for the Crown. To avoid any misunderstanding, it has to be stated that Spain made nearly every effort to shut down the entering of Chinese goods into the American markets and the flow of Silver to Manila. Even the intercolonial trade was completely forbidden – but the last, the ultimate step was not done. The financial loss had to be paid in order to keep the Philippines alive. In this perspective it has to be assumed that the royal benefit of the possession was greater than the financial losses.

The main result of this paper, which cannot be stressed enough, is that the Crown had agency on many spheres regarding the Manila trade. The majority of the whole trade was dependent on its will! Royal will was often overlain by the profit-seeking of its subjects, nevertheless it was omnipresent. It is incorrect to look at the Crown as a complete victim of the developments. Instead, it profited from the Philippines all the time – just not financially. This shows the universality of the term “profit.” There are certainly situations in which it is not all about money; the Manila trade, as viewed by the eyes of the Crown, was such a situation. The merchants and the viceroyalties were the ones that profited from the illegal trade economically. The Crown profited from the Philippines by sacrificing the protection of the domestic economy for the imperial ambitions. All actors basically had the option to either strictly follow the rules or profit from the Manila trade. In this sense the Manila trade was about the choice between profit and obedience.

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