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The South China Trade with Spanish Philippine Colony up to 1762

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The topic that I have chosen to discuss this afternoon is perhaps too broad a subject in itself for a brief paper. I do feel that much of what I have to say is impressionistic and qualitative based, in part, on my studies on English trade relations with the Philippines in the 17th and 18th centuries and, in part, on my readings on early Chinese relations with Nanyang, as well as the Philippine archipelago. My paper, therefore, is only preliminary attempt that may provide interesting ideas for further research. Whatever up-to-date knowledge we have relating to the early South China trade with Southeast Asia, including the Philippines has been derived from contemporary sources. These are Wang Gung Was A Short History of the Nangeng Chinese; N.A. Simoniya's Overseas Chinese in Southeast Asia; Chen Ho Chen's The Overseas Chinese in the Philippines during the 16th Century; Tien Tse Cheng's Sino-Portuguese Trade from 15th and 16th; Pierre Chaunu's Less Philippines et al, Pacifique del Iberiques, Lourdes Diaz

Trechuelo, The Role of the Chinese in the Philippine Domestic Economy, William L. Schurz In Manla Gallen, and M.A.P. Meilinsk Roelofz Asia Trade and Europe Influence in the Indian Archipelago between 1500 and about 1630, to mention but a few. To this list of scholarly studies, we could add the Chinese in the Philippines 1570-1770 ed. By Alfonso Felix, Jr. and O.D. Corpuz's The Philippines.

The commercial ties of South China with the Philippines date back to the Sung times when Chinese Sampans periodically frequented the centers of trade in the archipelago and exchanged highly priced Chinese goods for gold dust and indigenous products. Traditionally, all products changed hands by barter until the advent of the Spanish money economy in the 1570s. The port of Chincheo on the Southeastern coast of Fukien was detained to play the role of major exporter of a wide variety of consumer goods to Manila since that place became the thriving Spanish colonial metropolis. It was reported that a yearly average of between 30 and 40 trading vessels, heavily laden with rich and assorted cargo, sailed to Manila on schedule.

Various accounts of early high Spanish officials indicate that there were times that the number of Chinese trading vessels was as many as 50 especially during a prosperous season. From the Fukienese ports to Manila, it would take the tiny fleet of Sampans about 10 to 15 sailing days. Each vessel, manned by a swarthy and hardy Chinese crew, ranged from 100 to 300 tons of burden, but was not as large and as fast as the English "country ship".

Certain formalities were observed during the trading season. A sentinel posted at Mariveles, Bataan informed the Spanish Manila officials by means of a fire signal of the incoming fleet of Sampans. Afterwards, the sentinel set himself about on his light craft to inspect vessels and to designate two or three guards who would accompany the Chinese merchants to the port of Manila. The moment the Sampans laid their anchors on the bank of Pasig, two Royal Spanish officials in gala uniforms would come aboard for the purpose of registering and appraising their cargoes. The vessels were required to pay 38 custom duties on luxury goods plus a nominal anchorage fee. After all these customs requirements were fulfilled, the Chinese Sampan traders delivered the heavy bales of merchandise and other saleable goods to the Parian, the colony's economic nerve center.

The shops at the Parian displayed and sold a plethora of low and high status commodities, which the Spaniards were accustomed to in Iberian Peninsula. Heading Antonio de Morga's long list of highly marketable products was silk of all kinds. This was followed by another set of saleable items, such as ivory works, precious stones of all colors and cooking utensils to mention but a few. Food products also loomed large in the Sampan trade to Manila.

Other important commodities brought in by the Sampan traders included domesticated animals such as horses, buffaloes, geese and even caged birds, some of which could talk, while others could sing, and they make them play innumerable tricks.

The Chinese Sampan trade was not only limited to luxury goods and provisions, but it involved the sale of substantial quantities of iron, saltpeter, gunpowder, copper, nails and other metals. The building and repair as well as the fortification and defense of the colony against local uprisings and external incursions necessitated the regular importation of such items, particularly iron bars and gunpowder. In addition, huge earthen jars from China were imported in sizeable quantities for the storage of fresh water and for use on board the Spanish galleons.

This wide variety of importations from South China adequately met the demands of the Spanish community; it also stressed the heavy dependence by the Philippine colony on the sampan merchants. In his missive to King Philip IV, at the economic dependence, Governor

Tavora openly admitted that the colony "cannot get along without the infidel Sangley (Chinese), for they are the ones who bring us food from China".

Let us now turn to the export items of Manila. Although it is difficult to determine the extent of the yearly exportations of Manila, certain generalizations seem pertinent. We may say that exports were negligible in both volume and value compared to the country's various importations. The sampan traders were good sellers of their own product but poor buyers of indigenous goods.

Hence, Mexican silver plus some Philippine gold dust constituted the principal bulk of the return cargo to South China. In one trading season, in the early 1580s, the Sampan traders made a sale of 300,000 in silver Reales as against 30,000 in earlier times. In the more prosperous year, as in 1598, the amount obtained from the outright sale of Chinese goods increased three fold. A large percentage, therefore, of the annual silver shipment from Acapulco represented payment for the Chinese products. By the mid 1750s such items as indigos, rattan, tortoise shell, ivory, bird's nest and lead ranked among the major exports of Manila to South China.

The profits of the Sampan Trade on silk and other luxury goods were exceedingly high. If we consider the tremendous risks and harassments involved, they varied from 400% to as high as 1,000%. Maximum profits could easily be made on silk.

The brisk trade was only one aspect of the valuable Chinese overseas commercial activities which in time prospered. It was actually a new conception of commerce involving fleets of sampans, a ready market, trade on highly lucrative textile products, provision of moving by sea, and a variety of consumer's items. The necessary stimulus for this was afforded by the annual shipment of a great quantity of Mexican silver from Acapulco and the gradual transformation of Manila not only into consumption and distributing center for the colony but also as a way station in trans-Pacific commerce.

The great period of the South China sampan trade was from 1570 to 1690. The basic pattern was set up in the 1570s and 1580s. It was essentially a movement of luxury and prime commodities from South China to Manila and its subsidiary consumption centers, and hence, to Acapulco. Later, with this pattern of trade, they could make adjustments and changes in the types of Asian products consumed in the Spanish Colony and those trans-shipped yearly to the great Acapulco market.

The interplay of several factors contributed to the astounding growth and development of the South China trade with Manila. Firstly, the sampan merchants were quick to take advantage of the profitable opportunities that the new artery of trade offered, for Manila gave

immediate promise of a three-fold emporium of trade (a) that the consumers in the colony and in Nueva Espana created a demand for Chinese goods; (b) because of the inability of the Philippine traditional agriculture to respond sufficiently to the growing needs of the Spanish in the colony, Manila, the most important key center, provided a ready market for Chinese food commodities; and (c) the Spanish in the colony who were faced by serious problems of internal and external security, constantly felt the need to fortify themselves against the eventualities of war internal and external, and hence imported what we would now call strategic supplies.

In the colony, there was a fair development of interregional trade, and in some progressive areas outside Manila, a number of consumption centers arose. Such a development may be attributed first, to the growth of the economic demands of the ruling elite and the indigenous population and second, to the increased participation in internal trade by the religious orders, as producers of local goods and as entrepreneurs. In later periods the increasing use of silver Reales for currency was a striking evidence of the rise of internal market activity. The customers of the Chinese products in the Parian were not the Spaniards alone, but also included Christianized Sangleys, born and bred in the colony, but later on carried their purchases to the other markets for re-sale. The more important consumers included the tiny ruling elite and the principalia class in every key town. They not only provided the best market but also set the taste and tone for Chinese luxury and essential goods. Those at the bottom of the consumer's scale were the mass of indigenous inhabitants who, according to one Spanish account, could also afford to wear silk. Thus, in serving such a local market as well as the principal market of Nueva Espana, the Chinese traders anticipated what consumer goods would find a ready sale during a particular season or occasion.

The Chinese monopoly of silk, both raw and finished, their numerical superiority in vessels, their long experience in Southeast Asia and their geographical nearness gave the sampan traders an initial advantage which the Westerners did not enjoy in the early phase of European expansion in Asia.

The English East India Company, for instance, spent nearly three decades breaking into the exclusive Manila Market. The intense economic competition and political rivalry among the Westerners for the control of the Asian trade ultimately worked to the advantage of the Sampan traders. Through their combined shipping and trading enterprises, the Sampan merchants were able to develop a sizeable amount of capital reserves. This ready capital, in turn, enabled them and the Sangleys of the Parian and elsewhere to assume the leading role in the Manila trade. Bishop Domingo de Salazar took note of the Chinese investors who sought

lucrative returns for their capital. In this connection, loans and credits played a preponderant role in the Chinese commercial preeminence in the Manila trade. The Sangleys were not only traders per se but were also capitalists who advanced loans to the needy Spanish elements of the city. These loans were designed either for personal use or to cover cost of goods a Manileno would transship to Acapulco. The safe arrival of the Nao de China, or the great galleon, with its rich cargo of Mexican silver was always hailed as an auspicious occasion and the prelude to payment of long overdue debts to the Sangleys creditors.

There were other contributory factors behind the Chinese commercial predominance in the Manila trade to do with the absence of competition caused by the withdrawal of Japanese traders from the Philippines, the cutting off of relations between Portuguese, Macao and Manila in the late 1630s and the exclusive nature of the Spanish trading system and restricted navigation laws vis-a-vis the non-Castilians. Silver specie markets and crises served as sensitive determinants of prices of Chinese goods sold in Manila.

The relation between money and price was keenly sensed by Miguel de Benavides in some of his memorials to the Spanish crown. At other times, external forces, i.e. the commercial depression in New Spain due to off-and-on European wars, the sinking of a silver-laden galleon at sea due to typhoons, or the seizure of galleon by the English, raised the prices of prime commodities. In the 1580s, Santiago de Vera deplored the fact that, although a great quantity of goods was brought in, only a small portion of it was disposed of due to scarcity of silver. Tavora also lamented the lack of silver and the high prices of goods in his report to King Philip IV in 1628.

A starved Manila or Acapulco market would induce an upward trend in prices. There are many examples to illustrate this situation. The price increase was also affected by the engrossing of goods by the affluent community of Spanish and Sangley who sought to benefit financially from the shortage of silver specie. Prices of Chinese goods also tended to go up under the impact of periodic Dutch incursions against Manila, crop failures and internal convulsions in China. The Dutch interference with the South China sampan trade was not without harmful effects for the sampan fleet underwent great risks eluding the Dutch squadron of Formosa which either seized or harassed them. Prior to 1661 and even after the death of Koxinga, Chinese pirates attacked the sampans. These impediments, coupled with the venality of the Spanish civil officials, also caused price increases.

On the other hand, a glutted Manila or Acapulco market would bring about a drop in prices as in the 1590s and 1700s. The Manila authorities knew the value of non-imposition of

customs duties on essentials such as metals, gunpowder and foodstuffs as one way of maintaining the price of said goods.

By 1670s the South China sampan trade began to experience competition from South Indian commerce. The European factories in trading ports, particularly those of the English East India Company, as well as the Armenian and other local traders of the Coromandel Coast saw in the exclusive Manila trade, a veritable source of silver. What the English company merchants needed, to compete with the well-developed and strong Sangley interests at Manila, were goods for exchange that would be as readily saleable as Chinese silk and other essentials.

The solution to the problem of competitive items for trade was later found after the dispatch of two experimental voyages to Manila from the English Company factory at Surat in 1644-45. Later on, the English traders realized that cotton piece goods of Indian origin and iron were the best products for competition. Since the English traders were excluded from trading at Manila, because of the restrictive character of the Spanish mercantile policy vis-a-vis the other Westerners, the difficult problem which they had to overcome was how to penetrate the lucrative Manila market with the minimum amount of risk. They wasted no time in gaining access legally or otherwise, into the Manila trade. In the process of building up the English trade with Manila, the English merchants recourse to all kinds of subterfuges. Apparently, the most common method was the use of flying Islamic colors and the engaging of Indo-Portuguese Armenians and Moslems as masters of the trading vessels. The English traders carried on this illicit trade with extreme caution and considerable regard for the susceptibilities of the Spanish authorities in Manila. An important factor which contributed greatly to the success of the English was the laxity of the Spanish Colonial officials.

With the regular visits of the English "country" ships, India piece goods of all sorts gained popular favor among both Spanish and local consumers in Manila and in Acapulco.

Eventually, the South India trade became profitable to the Spanish ruling elite at Manila that no legal impediments could compel them to abandon it. By the 1700s, this traffic had taken on a definite pattern which was remain until the coming of the English to Manila in 1762. By selling calicoes and chintzes and other varieties of cotton cloth of exquisite and dainty designs at reasonable prices, the English traders gradually occupied the second place in the Manila import trade. The English trade with Manila became of prime significance and represented a volume of at last 15 to 30% of the Spanish colonial trade. The competition between Chinese silk and Indian piece goods and other essentials reached serious levels at the end of 1720s and 1730s because of the persistency and resourcefulness of the English traders.

It appears therefore that the sampan trader enjoyed a period of very large profits which continued with little abatement up to about the 1670s, despite the fact that the process of shipping and selling sampan goods was attended by much hardship. From then on, the trade in Indian piece goods and other items of South Asian origin assumed significant proportions in the Manila and Acapulco markets, resulting thereby in the gradual collapse of the South China sampan trade dominance in the Spanish colonial trade. This was the status of the sampan trade with Manila up to 1762.

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