

Trade Policies and Philippine Development During the Spanish Regime*

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FOR those who, like the Americans, love to draw conclusions from the clear facts, there could hardly be a more gratifying subject for consideration than the three-century Spanish regime in the Philippines.

It is very enticing to conclude that the discovery of America was brought about by the strong economic drives which began to prevail in Europe during the time of the Renaissance. And perhaps it was, chiefly, the desire for spices which drove the Portuguese to the epic adventure which resulted in the discovery of the Cape passage to the Indies and the Spaniards to the discovery of a second route which took them to the Americas and across the Pacific. Indeed, the Portuguese and the Spaniards met in Malayan waters and both loaded their ships with the unique and precious spices cultivated in that region.

Toynbee thought of these events as a response to Africa's broader challenge to Europe, and whether this is correct or not, it was he who called attention to the tremendous consequences of the drive which carried—

"the Portuguese vanguard of Western Christendom right out of the Iberian peninsula and onward overseas, around Africa, to Goa, Malacca, and Macao, and the Castilian vanguard across the Atlantic to Mexico and across the Pacific to Manila. These Iberian pioneers performed an unparalleled service for Western Christendom. They expanded the horizon, and, thereby, potentially the domain of the society they represented until it came to embrace all the habitable lands and the navigable seas of the Globe. It is owing in the first instance to this Iberian energy that Western Christendom has grown, like the grain of mustard-seed in the parable, until it has become the Great Society: a tree in whose branches all the nations of the Earth have come and lodged."¹

At any rate, Seville received the news of the return of Magellan's ships with high excitement. The city was then the "Wall Street" of Spain, its 50,000 inhabitants being made up in good part of bankers, merchants, and ship-owners. The bankers of Seville had been the principal backers of the Magellan expedition and, on its return, they naturally expected large profits.

Some years before, around 1503, the *Casa de Contratación* has been founded in Seville to take charge of all commerce with America and other overseas lands, but as the Portuguese had organized their trade center in the *Casa de India* in Lisbon, the Spaniards now decided to make La Coruña, in northeastern Spain, their headquarters for this trade in order to bring it nearer the spice-distribution center for Europe which, at that time, was Antwerp. It was a case of the dealer going after the consumer. The trade in spices, however, was soon ruined by competition and the resulting low prices.²

*Editor's Note:—The writer of this article, Mr. Pedro Ortiz Armengol, Secretary in Charge of Cultural Affairs, Spanish Embassy, in a lecture delivered under the auspices of the Historical Committee of the American Association of the Philippines at the American Embassy some months ago and also in letters to the Editor of this *Journal*, raised certain objections to the account covering the Spanish period in Philippine industry and trade given in the "First Decennial Handbook, 1919-1929" of the Manila Rotary Club, reprinted in this *Journal* and later included also in the Editor's recent book, "Short History of Industry and Trade of the Philippines." This account was a piece of collaboration between the late Verne E. Miller and the Editor and was, as stated, largely based on Regidor and Mason's "Commercial Progress in the Philippine Islands." (London, 1905.)

When the Editor learned of Mr. Ortiz Armengol's criticism, which was not until after the publication of his book, he invited him to offer such corrections and interpretative comment as he believed might be necessary for a correct and fair revision, but Mr. Ortiz Armengol preferred to write the entirely new account published herewith.

The Editor would be pleased to receive any reader's comment on Mr. Ortiz Armengol's presentation.

European commerce with the New World marked the beginning of the era of Mercantilism. This important development in world commerce was based on the economic doctrine which, in the opinion of the later Physiocrats and the economic thought, also, of the 19th century, was erroneous. But erroneous or not, the fact remains that it was the ruling policy in Europe for centuries and that after having been abandoned for some time, modern governments have again turned to the practice of its leading tenets: "Keep the gold, and increase exports and restrict imports to obtain more gold."

This may well lead us to conclude that in Economics there is never a last word. Mercantilism prevailed in Europe until the strongest nation in Europe commercially, England, imposed freedom of trade! "Freedom" has sometimes been imposed on others by the stronger, and in the stronger's own interests.

The Philippines not "Good Business" for Spain.
—From the Mercantilist point of view, the retention of the Philippine Islands was not good business for Spain. The Islands had no mines to speak of. They were not a source of food-supply. They offered no market at that time for European goods. Europe did not take the slightest interest in Philippine rice, coconuts, poultry, *tuba* (a drink made from the sap of the coconut palm), etc. There was therefore no sense in promoting a trade between Spain and the Archipelago, and even if there had been, it was a practical impossibility to carry it on. A voyage to the Islands was an adventure which took years to complete,—at a time when the fleets of Seville, on shorter voyages, maintained fixed sailing dates and the naval convoy had been invented to protect the ships against pirates.

The dangerous Isthmus of Panama had to be crossed by the agents of the traders to await on the Pacific side, the arrival of the Manila-Mexico galleon. After the close of the 16th century, the trip from Havana, Cuba, to the Isthmus and the overland hike across it, took two and a half months. (The voyage from Manila to Mexico took four months.) After making contact on the Pacific coast, and re-crossing the Isthmus overland, the European ship awaiting the party on the Gulf side, would return to Havana and have to wait again for the assembly of the convoy back to Seville. This convoy-system, by the way, marked an important milestone in the history of navigation.³

According to the very objective historians of the time, food was scarce in the Islands. The arrival of a few score of Spaniards in Manila resulted in a considerable increase in prices; from 1580 to 1584, rice, poultry and eggs, and carabao-meat went up 600%.⁴ Evidently, the influx of Mexican gold perturbed the rural economy of the Archipelago and the growth in demand did not, during the first years, result in a corresponding increase in production or supply. The Spanish population remained small for many years. By 1588 there were still only 80 Spaniards in Manila plus 18 religious,—priests, nuns, and novices.⁵

Sacrifice of Political to Religious Policy.—Why was not the Archipelago abandoned by Spain if its retention served neither economic nor military ends? The answer is that this was for the very same reason which largely shaped the whole of European policy up to the beginning of the 19th century: *religious policy*.

There is abounding historical testimony to the effect that when the Crown's Counselors advocated giving up the Islands of the Philippines, situated along the coast of

China, the Church opposed this because it wanted to preserve Christianity among the already Christianized inhabitants, to defend them against any Bornean offensive, and, especially to undertake, from the Islands, a missionary penetration into China, Indo-China, and Japan. The King sacrificed the political interests of the nation,—which demanded that its strength should not be too widely dispersed and that its ships in the Pacific should not be imperilled to defend lands in which it had no military aim.

The King thus sacrificed the interests of the State to the interests of Religion and these Islands were not given up during the first century of Spanish control when many in Spain clamored for this. The decision which led to maintaining in Mindanao a "38th parallel" against Mohammedanism and to defending the Archipelago from conquest by China and Japan for three centuries, furnishes the explanation as to how the Philippines was able to become a nation in the 20th century. The spirit of nationalism which finally asserted itself toward the end of the 19th century, was born in those lands where the Spanish supremacy could be maintained for some centuries.

The Chinese in the Country.—When Legaspi arrived at the mouth of the Pasig River,—from Cebu, in 1571, some 40 Chinese were living on the northern bank.⁸ They were buyers and sellers who had been established here for some time. With the coming of the Spaniards, these traders immediately saw the opportunity of doing business with them. The silks, ivory, porcelains, and other products of China would play in America and Europe of that time, the part played by American automobiles and electric ranges and refrigerators in other parts of the world some centuries later. Everyone would want these products, so thought the Chinese. During the next year, two sampans laden with merchandise from China entered the Pasig and the profit made in the exchange of the goods for Spanish gold was so encouraging that no less than twenty Chinese vessels called the following year in the month of March alone. Thus began the Chinese invasion, initiating a commercial boom such as Manila had never experienced before.⁷

By 1575 there were some 500 Chinese in the Islands.⁸ The Crown attempted to limit to 4,000 the number of them allowed to enter the country in an effort to prevent the ratio of Chinese to Spaniards exceeding 4 to 1, but the attempt failed. There was a rapid increase in the Chinese population. There was not only a great influx of traders, but also of skilled laborers who took an important part in the building of the great commercial metropolis which Manila became during the 17th century. With the products of the line-kilns and brick-ovens introduced by the Jesuits, they built the first "strong-material" houses.⁹ Experienced as stone-cutters, they aided in the construction of Manila's fortified walls. On Spanish printing presses, they became the first printers from type in Asia. Their earnings and profits made possible the founding of a Chinese city,—the Parian, just outside of Manila. Their ambition increased with their numbers and wealth, until Manila was definitely imperilled by them. There were a number of treacherous Chinese attacks on the city, and despite the repressive measures taken against them, the in-flow of Chinese immigrants hardly slackened. Within a few years, the Chinese population had mounted to around 40,000, while there were only around 200 Spaniards. We may mention here that even at that time a "racket" in the smuggling-in of Chinese was discovered by an immigration official. Life, in the main, continued pleasant for the Chinese in the Islands, where any trinket of Chinese manufacture was readily exchanged for soldiers' pay, the easiest money to get hold of.

Manila Merchants as Middlemen in the China Trade.—Although the Spanish Crown would have maintained Manila in any event, the happy circumstance of

the demand which Chinese products commanded in Europe, assured the future of the city which was the buying-market for these goods. The sale of precious stones, ivory, porcelain, silks, tea, and pepper brought the Chinese traders rich profits, but the Spaniards also profited immensely for they, in turn, sold the goods in Mexico and Europe at many times the prices they had paid for them in Manila. It was easy to make a profit of 300% and often profits of from 1000% to 2000% were obtained. It was an ideal business: high prices, high profits, and everybody happy. Manila, the key-city in this trade, was the city which profited the most from it. Manila in the 17th, 18th, and 19th centuries was a great and prosperous walled city, superior to many noted European cities, and, it goes without saying, the most highly westernized and advanced in the whole of Asia.

Technical Assistance and Financial Aid.—In those 300-ton galleons, which we have mentioned, there were brought from America to the Islands many indigenous American food and other plants which are now cultivated here, among them corn and tobacco, the tomato, potato, and camote, various kinds of beans and peas, the peanut, the pineapple, maguey, cacao, guava, papaya, etc. Their importance in the present-day trade of the country as well as in the daily diet of the people need not be stressed.¹⁰

The cultivation of sugar cane was encouraged and increased, and in the 19th century there was a high production of an excellent coffee. Scientific studies of the minerals and of the flora and fauna of the country were undertaken and the most up-to-date technical and industrial appliances and skills were introduced. As an example we may mention Father Espallarga's knife-blade for the stripping of abaca fiber. As already stated, new building materials were brought into use,—stone, brick, and floor- and roofing-tile. As a means of transportation, which even today has no substitute that is so "self-supporting," the horse was brought into the country. On the cultural side, there were the printing presses and the schools and colleges established by the Spaniards, as well as the churches and monasteries.

"The coming of the Spaniards also brought about material and economic changes. These changes were felt most in the building of towns and cities; in the construction of roads, bridges, ports, forts, and other public improvements; in the introduction of foreign plants and animals and in the establishment of closer commercial relations with foreign countries."¹¹

The cost of the administration of the Islands was paid in silver and gold from the mines of the Crown. In his ships from Mexico, the King sent large sums in gold and coin which he "situated" in Manila to cover the expenses of the Government and the Church. (It is from this that we get the Spanish word *situado*, meaning that money.) The arrival of a galleon carrying the money was always an event calling for celebration. As early as 1605, as much as 120,000 ducats was being sent yearly.¹² This was an extraordinary amount of "financial aid" for those times.

The Manila Merchants vs. the State Controls.—The fabulously profitable business that could be done by taking Chinese merchandise to Acapulco and Seville, had its limits. Official voyages were limited to one a year, though private citizens could make a contract with the government for special expeditions. Cargo-space on the ship was therefore of enormous value and everyone fought to obtain it. The space was divided into parts which were assigned through a paper called a *boleto*. To get one of these documents inspired the same "loves" then as getting imperial and export-licenses inspires today and led to similar rivalry and venality.

Aside from the limitation arising from lack of cargo-space, there were the obstacles that arose from the fact that this trade, based on exchanging silver and gold for silks and porcelains, violated the basic principles of Mercantilism.

The trade was vehemently objected to by the commercial cities of Seville and Cadiz which believed they suffered damage from this Asiatic "dumping." The criticism was especially bitter because they themselves had largely financed Magellan's voyage. Because of this opposition, Philip II, in 1593, imposed a limit on the export of goods from the Philippines to Mexico. Only 250,000 Mexican pesos' worth of goods could be carried on each voyage to Mexico, but the ship could bring back 500,000 pesos worth of goods or coin. These quotas were imposed with the interests of the Peninsular manufacturers in mind, but we call attention to the fact that the difference in the export and import values, amounting to 250,000 pesos annually, remained in the economy of the growing Philippines. It is true that the money generally remained in Spanish hands, but the Spaniards who came to the Islands rarely returned to Spain. They stayed in the Philippines and their wealth formed a part of the common wealth of the country. To this fixed annual trading surplus, the *situado*, or "financial aid" already mentioned, must be added. This investing of wealth in the Islands continued for centuries and is perhaps without parallel in history.

The restrictions on both sailings and cargo space were responsible for ill-feeling as well as fraud, and commercial reality also inevitably asserted itself. The economic laws governing trade balances as well as those of supply and demand could not be interdicted and the "import and export controls" were evaded. Europe was enchanted with Chinese goods and there was an especially strong demand for the comparatively cheap Chinese silks, and as the trade was enormously profitable, the King's edicts were reduced in potency to little more than scraps of paper.

The writer does not know who had more right on their side,—the merchants of Manila or those of Seville and Cadiz, and leaves that to the economists to decide. But must one condone the ruin of one's own industry because some other nation is able to manufacture and sell the same products as one's own at lower prices? Is a nation justified in strengthening its own industry by means of tariffs and other protective measures? Everyone is entitled to his own opinion.

The fact remains that the import and export controls were continuously violated. In response to pressure from Seville and Cadiz, a Commissioner was at last sent to Manila in 1637 to investigate the reported over-loading of ships. The Manila merchants protested that their commercial lives depended on larger cargoes not only because of the great expenses incurred in sending their goods across the seas on such long voyages but because of the great risks they ran and the heavy losses they often incurred. Two years later, in 1639, the King ordered the investigation suspended.¹³ Protectionist capital succeeded in having its protests heeded after many years of complaint, but it took the advocates of "free trade" only two years to counteract these protests. If this is an example of the good sense in adhering to the principles of free trade, here it is for all it is worth.

About this same period, a commercial revolution was developing in England. In 1628 Parliament put an end to the exclusive privileges granted one company in the trade with the Orient and virtually decreed "free trade". But this only led to the organization of a second, rival company, and as the competition between them soon threatened to ruin both, they were incorporated into a single company in 1702. Thus the idea of free trade suffered a temporary set-back, and so began the 19th century.¹⁴

We mention this only for the sake of information. If the foregoing account is correct, we may conclude that even the strongest commercial power of the time could not afford the luxury of free trade in the 17th century, nor, for that matter, in the 18th.

Despite the continuing protests from Seville and Cadiz, the importation of Chinese goods into Spain continued. In 1702 a royal decree allowed an increase of from 300 to 500 tons in the tonnage of the Manila galleon. Permitted exports from Manila were increased to a "value of 300,000 dollars and the value of return metal to 600,000 dollars."¹⁵

As a consequence of this, the—for that time—splendid textile industry of Castille and the silk industries of Toledo, Valencia, Seville, and Granada declined to such an extent that King Philip V, sixteen years later, in 1718, suddenly prohibited the importation of Chinese silk into Spain altogether, although it was better as well as cheaper than Spanish silk. Manila lost no time in protesting this measure and a royal decree, issued on June 17, 1724, rescinded the decree of 1718. Another royal decree, favorable to Manila, that of April 8, 1734, raised the values of Manila exports and imports to 500,000 dollars and 1,000,000 dollars in value, respectively.¹⁶

Notwithstanding unfavorable interpretations of these facts, they speak for themselves. The policy followed by the Spanish Crown allowed the silk industry of Valencia, the most important in 18th century Europe, to vanish so that Manila could live and grow on the profits derived from the trade in Chinese goods, in large part, silk.

It would be too much to say that the sacrifice was made in the name of "free trade". Free trade had not seriously been thought of as yet. The sacrifice was made in the name of the general international policy of the Spanish State,—a policy the nature of which was then widely recognized.

The carrying out of this policy seriously disturbed the domestic economy of Spain; just as today, economic sacrifices were demanded for the sake of security,—if not, merely, for prestige. But Spain was headed straight for bankruptcy. Embroiled, as Spain was, in many undesired wars and forced to guard itself against many threats to its security, the Government began keenly to realize, about the middle of the 18th century, that Spain was not building up its wealth in the measure the younger up-and-coming nations were doing, nations which did not labor under such burdensome obligations as Spain.

During the European movement known as the "Enlightenment," the Spanish *ilustrados* radically revised the current ideas about the Philippines. Manila was doing well with conditions as they were under the privileges granted by the Crown. It was satisfied with its role as a prosperous middleman in the China trade. It took no interest whatever in any new enterprise. However, the ideas of the 18th century and the new vitality these ideas inspired, forced matters in the Archipelago and in 1733 the Spanish Government brought about the organization of the *Real Compañía de Filipinas* in an effort to establish direct trade between Seville and Cadiz and Manila. The Manila merchants still could not be interested, and the Company failed.

The Philippines becomes an Exporting Country.—A few years later, King Charles III, sent a frigate from Cadiz to Manila, via the Cape of Good Hope, to try out a basically new venture. Instead of remaining the middleman in the exchange of Chinese luxury goods for Mexican silver and gold, Manila was now to receive European manufactures in exchange for Philippine products. This trade was certainly a more healthful one for the economies of both countries and proved that the Philippines had advanced to a point where it had products of its own to offer and could enter the ranks of the exporting countries. Two centuries of investment and social development, of financial aid and technical help, had converted the country into an exporter of agricultural products.

The new trade, however, adversely affected the privileged *boleta* holders as well as the Chinese merchants, and they opposed it. They revealed the same short-sighted

selfishness to be seen today in the attitude of those who say: "We want the freedom to send to the other countries what we choose, but the right to place restrictions on what they send to us."

The Cadiz frigate made fourteen voyages, but the enterprise finally failed because of the Manila opposition; moreover, the Treaty of Utrecht of 1712 denied Spanish ships the right to sail by way of the Cape of Good Hope!

The Second Real Compañía de Filipinas.—Yet the Century was not to be denied. Toward the end of the 18th century, there were some 3,000 Spaniards living in the Philippines. In March of 1785 a royal decree established a second company with a capital of 8,000,000 pesos contributed by the King, the National Bank (*Banco del Estado*), and the municipal governments of Seville and Havana. Entrusted with the exchange of products between the Philippines and Spain, the Company abolished all quotas and exempted Philippine products exported to Spain from all tariff duty. The Company offered free transportation to Manila of skilled workers of whatever nationality. "Mathematicians" (today we would say "technicians"), chemists, and botanists were especially favored. One-third of the crew-members of the Company's ships were Filipinos. The great aim of the Company was the economic development of the Islands,—"which were sterile to the Crown and even to themselves."¹⁷

The history of this new hope is to be found in a Memorandum from which we have just quoted: "Statement of the *Compañía de Filipinas* submitted by its Governing Body to the National Cortes."

This Memorandum treated of the establishment of the Company, its political and mercantile importance, and the necessity of its preservation for the general benefit of the Crown even though it had been forced to borrow heavily from the State. The Memorandum reviewed the facts as to the Company's introduction or encouragement in the Islands of the cultivation of the indigo plant, sugar cane, cotton, and pepper; its introduction of industrial machinery, its exploration of the iron deposits at Morong (in today's Rizal province), etc. A number of Philippine products had been exported to Spain for the first time. By the beginning of the 19th century, the Company has spent around 2,300,000 reals in the development of agriculture alone. The Memorandum, published in Cadiz in 1813, when free-trade ideas were imposing themselves in the world, was a spirited piece of self-defense on the part of the Company. It emphasized the need of large capital which could be put up only by monopolies and, pointing out that if even the monopolies were endangered by limited funds, asked what could be the fate of smaller enterprises with much less capital. The monopolistic company was an English creation, it stated, and England was commercially the world's most able and powerful nation. It declared that if the life of the Company had been difficult because of wars and other troubles, the lives of the Dutch, English, and French companies had not been easy either and often many years had passed without their being able to pay dividends. The wars with England had hurt the Company, but now, in Napoleon's century, there was a chance of recovery.

Dependence on Crown Revenues Ended.—A royal decree dated August 21, 1789, had declared Manila an open port to the ships of all European nations trading in Asiatic products. A number of *sociedades económicas*¹⁸ had been organized (1781), among them the *Junta de Comercio* (Council of Commerce). The Philippines was now rich and able to support itself and, to end further dependence on the Crown, Governor Basco y Vargas imposed heavy taxes on the tobacco industry,—as was done in Spain itself.

¹⁷These "economic societies" of the period of the "Enlightenment" or *Ilustración* were strongly philanthropic, social, and cultural in character.

The industry was made a government monopoly and tobacco was allowed to be planted only in certain areas and its growth and production was carefully and scientifically supervised. All monopolies have their critics, but it was the tobacco monopoly in the Philippines which for the first time since the coming of the Spaniards enabled the Spanish Crown to draw a revenue from the country. A sum of 150,000 pesos was sent to Madrid as a contribution to the general funds of the State. The royal gratitude was expressed in a royal order dated July 17, 1784. The remittance did not become a regular one and the following year the money was allotted to the Philippine Navy. But at least it had been established that the Philippines was no longer dependent on revenues sent from America.¹⁸

In 1795 ships from any nation were allowed prolonged stays in the Port of Manila, and, faced with heavy competition, the *Compañía de Filipinas* was losing ground. The directors had set their hearts on sending Philippine agricultural products to Europe in face of the fact that it could not compete in prices with similar products from other countries; the agricultural products from Sumatra, for instance, were much cheaper. Just as today, the higher standard of living of the Filipinos as compared with their neighbors, forced a higher cost of production. A Filipino historian gives still another reason for the difficulties of the Company: the lack of interest in Manila in any other market than the Acapulco market.¹⁹

British and American Business.—The British established a commercial firm in Manila in 1809. In 1812 the word "liberalism" was coined in Cadiz and soon it had spread over the whole of political and economic Europe. It is rather ironic that this word should have originated in the city which monopolized the Spanish trade with America. But the age of freedom was now come and individuals were to exercise what had previously been the privilege of the state. In 1811 the last of the galleons sailed from Manila to Mexico and a royal order, dated April 23, 1815, confirmed the suppression of the galleon trade. Governor Berenguer has asked for this repeatedly between 1788 and 1793, and Governor Aguilar had recommended it in 1810. Now, theoretically, any Manila merchant could export up to 500,000 pesos' worth of merchandise and bring back as much as 1,000,000 pesos' worth.

Around 1835 an important event took place. Mexico became independent and the two-and-a-half century flow of Mexican silver and gold into the Philippines all but stopped. A "ladder without steps" had now to be climbed, but free trade furnished the means. Manila became one of the two or three most important commercial cities in all Asia. The Philippines exported even rice to China and enjoyed an economic development comparable in its proportions to that of countries in Europe and the United States itself. Between 1831 and 1875 the overseas trade of the Philippines increased between 10 and 15 times.

In 1834 a Royal Order was issued for the liquidation of the *Real Compañía de Filipinas*. It was History's answer to the "Statement."

As a consequence of the free trade established in the Philippines, there were, by 1850, scores of Europeans and Americans living in Manila who represented important firms. In that year the British numbered 22, French 15, South Americans 15, Americans 11, Germans 9, and Swiss 9.²⁰

In 1784 the United States had opened a regular trade with Canton and this had ended Manila's position as the exclusive buying-center for Chinese merchandise. Unluckily, the United States has at that time little to offer in exchange for Chinese products, but the Americans soon learned that the Chinese wanted furs, especially otter pelts. The sailing-ship *Columbus*²¹ is credited with having opened the era of American trade interest in the Pacific and was the first American ship to circumnavigate the globe (1790?). The speed of a vessel now became far more

important than her capacity and this led to the building, in the 1840's, of the famous Yankee "clippers". Cross-Pacific races became a feature in the 19th century, as they had also been in the 16th. In 1846 an American clipper sailed from Canton to New York, by way of the Strait of Magellan, in 74 days,—an important record. The following year another clipper sailed around the world in 194 days.²² The pioneer circumnavigation had taken Magellan's expedition three years.

The participation of the British and the Americans in the trade of the Far East produced strong commercial rivalry. The British had taken possession of Hongkong (ceded 1844) following a war (1840-1842) the pretext for which was that the Chinese refused to buy opium from them. It was a peculiar way of extending, by gun-fire, the benefits of Commerce!

In 1850, the Chinese merchants in Manila were given the right to participate in public bids and auctions and in banking activities. In 1859 the two American firms which had been established in Manila went bankrupt due to the British competition. A Spanish writer of the time commented on the resulting "Chinese-British character" of the economic life of the Philippines.²³ This was, again, in consequence of the practice of free trade. The commercial strength of the British swept away all competition under a regime in which freedom of trade was the ruling policy. In 1851 the *Banco Español-Filipino de Isabel II* began operating in the Philippines under by-laws drawn up by the merchants Tuason and Aguirre.²⁴

The Philippines, Mid-19th Century, an Exporting Country.—The times are pictured in two very descriptive books. The Scotsman, Robert McMicking, visited the country between the years 1848 and 1850.²⁵ So did Sir John Bowring, Governor of Hongkong.²⁶ Each wrote a very good book, the two books being outstanding for their very modern viewpoint as well as their lucidity. They are invaluable sources of information despite the solid British prejudices which abound in their pages. The first of the two writers pointed to the dangerous possibility that the Spaniards might copy the Americans in their allegedly unscrupulous way of doing business. He deplored the Spanish insistence on protecting Philippine production by a law which taxed British textiles, which law, however, was not at all deplored by the Filipinos. He described, in two chapters, the various manufactures of the country: piña cloth, jusi gauze, worsted cotton, silk, hats, rope, cigars. Worthy of the economist's attention are the statistics he offered of the exportation of these products and also of sugar, hemp, coconut oil, indigo, rice, raw hides, cattle bones, and gold-dust. Deserving of the same attention are the statistics given for the year 1858 in Bowring's book. Here we have a broad field for study which remains neglected except for a period around the year 1900, when the findings were used for purely political ends. The provisional conclusions arrived at then have often been made use of since and raised almost to the status of dogma. A conscientious study today could definitely establish whether or not Philippine industry of the 1840's was not, relatively, of greater importance than Philippine industry of 1940 within the industry of the world as a whole. Perhaps we could then definitely state that Philippine production played a greater role in the total agricultural and industrial production of the world a century ago than it played around 1840.²⁷

The Philippines Some Decades before the Revolution.—The loss of the Mexican silver and gold had forced the Philippines into the adventure of building its own life. It is evident that toward the middle of the 19th century, the means had already been found to reverse the previous position of the country. The Philippines was not only living on its own, but was sending revenues to Spain. Bow-

ring stated that of the total annual government income of 10,000,000 pesos, 1,000,000 pesos was sent to Spain.

In 1837 the port of Manila was opened to the ships of all nations, and in 1855 the ports of Iloilo, Zamboanga, and Sual (on the Lingayen Gulf); in 1860 the port of Cebu.

In 1857 the author of the appendix to Bowring's book outlined the situation of the country at that time as follows: A good beginning had been made in agriculture and there was opportunity for infinite development; there existed a moderately well-developed industry; over 1,000,000 pounds of cotton and over 50,000 pounds of silk thread were imported annually, and, mixed with local cotton, hemp, piña, and other fibers, were processed into textiles amounting in value to from 5,000,000 to 6,000,000 pesos annually; the countless looms in the Islands produced an annual output of from 10,000,000 to 15,000,000 *varas* (a variable unit, roughly equivalent to a meter); there were 4 hemp-rope factories, several establishments working on hides, and a few rice-, sugar-, and coffee-packing plants; the extraordinary aptitude of the Filipinos as sea-men had given rise to a prosperous coast-wise navigation,—in 1875 there were 762 ships and 1,673 smaller craft registered at the port of Manila, aggregating 99,936 tons, with 18,561 men composing the crews.²⁸ The fact that Manila was a great commercial metropolis, rendered the city also a thriving center of political and cultural activities.

The growth of European capitalism placed Spain's economic interests in the Philippines in a precarious position. From the 1850's on, Spanish cabinet ministers in charge of overseas affairs insistently demanded that capital be sent to the Philippines to recapture the economic lead now held here by the British and Chinese. Among the measures taken with respect to this, the old government tobacco monopoly was abolished in 1882 and a private company was organized (the *Tabacalera*) to take over the cultivation and export of tobacco.

In 1893 Philippine trade with the exterior amounted to 250,000,000 *pesetas* (50,000,000 pesos) a year.²⁹

The Philippines had roads and a railroad which was the second in Asia (construction of the Manila-Dagupan line was approved in 1883), and telephone and telegraph systems, and was the most westernized country in the Orient. It was only later that Japan, in an impressive race to industrial supremacy, overtook the Philippines. Manila, the city which had grown up on the gold of the Spanish Crown and the profits of the China-Europe trade, was superior in economic strength to many European ports. And the wealth that had been accumulated was responsible for the birth of a class of Filipinos which was unique in the whole of Asia, a cultured class which led the Revolution when the country became ready for it.

What the Philippines had become was the fruit of a centuries-old policy of extending financial and technical aid which had no equal in History because it did not rest on any principle of "mutual aid" but on the conception that the Philippines was a part of the Spanish nation.

In those times when chartered commerce was the rule, it was practiced in the Philippines in such a way that it placed the country at the head of all Asian nations for centuries. Later, in the age of free trade, the development of the natural wealth of the country opened the way to its independence. There is consistency in the facts that when the Spaniards first came to the Islands the population was only around 500,000 and that by 1900, the population had reached 7,000,000,—that is to say, fourteen times as many. During the same period, the population of Spain grew from 8,000,000 to 17,000,000, while the populations of France, England, Germany, and other European countries increased only three—or at most, four-fold. The economic and social conditions which prevailed in the Philippines during the 17th, 18th, and 19th centuries were chiefly

responsible for a growth in population far in excess of that growth in even the most advanced of European countries.

The Philippines' Spanish Heritage.—An important exporter of tropical products, which its own industry worked into finished goods in many cases, the Philippines was also nearly self-sufficient in textile production. With this as a base, and with the help of the technical resources of the 20th century, the Philippines has attained a splendid growth. But it should be remembered that before a tree reaches a height of three feet, it must first have grown to one foot, and that to begin with, it had to be planted. The seeds of economic development planted in Spanish times have made possible the Philippines of the present day.

It is indeed to be hoped that in the future all restrictive and discriminatory measures will be abolished and that free trade, with equal rights and privileges for all, will be honestly enforced, as this would contribute to the continuing expansion of the economy of this country in this century as in past centuries.

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The Business View

A monthly review of facts, trends, forecasts, by Manila businessmen

The Government

From Official Sources

DECEMBER 1 — President Elpidio Quirino creates a committee to take charge of the inauguration of the President and Vice-President of the Philippines on December 30, under the joint chairmanship of Secretary of Finance Aurelio Montinola (banking Secretary in the absence of Secretary of Foreign Affairs J. M. Elizalde) and Senator Francisco A. Delgado, with Vicente Lontok, Secretary to the Cabinet, as Executive Secretary of the Committee. The President authorizes Budget Commissioner Pio Joven to raise the necessary funds.

The President receives the credentials of Jose Manuel Moneta, new Minister of the Republic of Argentina at ceremonies at Malacañan.

The President receives a copy of the charges filed against Governor Dominador Camerino of Cavite for alleged acts of sedition and arbitrary and illegal detention committed on election day.

The Department of Foreign Affairs announces that the Government has recently protested the announced policy of the United Nations to give priority to countries which have pledged financial contributions to the Korean reconstruction program in the buying of needed materials and supplies, the Philippines stressing that though it could not pledge such a contribution in view of its limited budget, it had contributed troops.

Dec. 2 — Maj.-Gen. Calixto Zuloaga, Chief of Staff of the Armed Forces of the Philippines, files with Malacañan his application for retirement from the Army effective December 29.

Executive Secretary Marciano Roque announces that so far he has not received any administrative charges against Governor Camerino.

Dec. 4 — The President orders the re-instatement of Governor Adelmo Q. Camacho of Batasan, with a reprimand and warning; the action is in accordance with a recommendation of the Integrity Board which found him innocent of the more serious charges but guilty of the charge of threat and intimidation in connection with securing the approval of a travel-expense voucher by an official in the Provincial Treasurer's Office.

The President appoints a committee to take charge of the Rizal Day celebrations on December 30 to be presided over by Secretary of Agriculture Placido L. Mapa, with Vicente Lontok as the Executive Secretary.

Malacañan releases the exchange of communications between the President and the Philippine Ambassador at Madrid, Manuel V. Moran, former Chief Justice. In a letter from the Ambassador, dated October 9, he asked Executive Secretary Roque to remind the President that he was waiting for word about his return to the Supreme Court, and on October 17 he wrote the President himself that there would be justification for affording him the opportunity to retire as a member of the Court with life pension. On November 14 he wrote the President congratulating him on the clean elections, etc. and did not withdraw his

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