

Silver, Silk and Manila: Factors leading to the Manila Galleon Trade

By Tom Barker

William Schurz gave the first comparative perspective of the Manila Galleons in 1939 by stating, “to the people of Spanish America, they were the China Ships or Manila Galleons that brought them the cargoes of silks and spices and other precious merchandise of the East. To those of the Orient, they were silver argosies, laden with the Mexican and Peruvian pesos that were to become the standard along its coast.”¹ While global and comparative history is an occurrence that has gained momentum in the past two decades, Schurz’ comments demonstrate that a global perspective is needed to truly understand the effects of the Manila Galleons. The Manila Galleons have been marked as the “Birth of World Trade,” linking the continents of Asia and the Americas in a continuous trade that would last about 250 years.² The significance of the trade route from a global perspective is that it truly relied on the development of two regions that had not previously been in contact or in a direct exchange of goods.

The product most responsible for this trade is silver; however, the Chinese demand for silver did not outweigh the demand for Chinese goods, mainly silk, in New Spain. This trade route occurred thanks to the establishment of Spanish dominion in the Philippines serving as a hub for trade. However, to really understand the importance of the Manila Galleon trade, the focus must turn toward events in China and the New Spain that stimulated this trade prior to 1572, when the trade first began. This requires an evaluation of policies and events that would lead to the Chinese’s desire for silver and those in New Spain desire for silk. It is only then that looking at the Spanish expansion in the Philippines and its developments that one can understand not only the causation forces but also the long-term implications as well. For this purpose it is essential to identify the supply and demand factors of both silk and silver in China and New Spain, and ultimately how Spanish conquest in the Philippines would provide the opportunity for this trade to begin and satisfy these needs.

China

Foreign merchants knew about the Chinese demand for silver in the sixteenth and seventeenth centuries. This wide demand had been sparked by a series of events starting about two centuries earlier. In an attempt to issue a standard medium of exchange the Ming Dynasty, like that of the Yuan, issued and tried to revive a paper currency to serve as the medium of exchange by banning precious metals and other commodities that could serve this same purpose.³ This paper currency, the *baochao*, was supplemented with bronze coins at first; however, the Ming government produced far more paper currency than what was actually being taken in. In 1390, the Ming government took in approximately 20 million *guan* and put into circulation more than 95 million *guan*, creating an exchange rate of 250 copper coins to one-*guan baochao* note. The effects of this inflation would be felt later in 1394, when the one-*guan baochao* note would fall in

¹ William Lytle Schurz, *The Manila Galleon* (New York: E.P. Dutton, 1959), 15

² Dennis O. Flynn, Arturo Giráldez, “Born with a “Silver Spoon”: The Origin of World Trade in 1571,” *Journal of World History* 6 (1995):201.

³ Richard von Glahn, *Fountain of Fortune: Money and Monetary Policy in China, 1000-1700* (Los Angeles: University of California Press, 1996), 71.

value compared to the copper coins.⁴ This created a widespread loss of faith in the paper money system. Eventually, in an attempt to gain the financial stability of the *baochao*, the Ming government banned the use of coins. After further destabilization of the paper money, however, the copper coins and unminted silver became the “dominant forms of currency.”⁵ This brought an end to the use of paper money in Ming society and emphasized the importance of the two currencies in a new monetary policy.

While these two forms of currency existed at the same time, unminted silver would eventually become more popular. According to Richard von Glahn, there were three main problems that existed with the copper coins during the fifteenth and sixteenth century: the cost to produce the coins was higher than its actual worth, neighboring states were not capable of minting coins allowing many to leave China, and the scarcity of the coins caused extensive counterfeiting.⁶ The problems associated with copper coins were attributed to policies enacted by the Ming government of accepting silver as a way which one could pay certain taxes and also that few coins, if any, were minted from about 1430 till 1520.⁷ Despite the increasing popularity of silver during these centuries, copper coins were still used in the basic day-to-day transactions; however, silver was the main form of payment for major transactions in the commercial sector.

The Chinese demand for silver was further escalated, when the Ming Dynasty enacted the single-whip reform. This reform allowed for the consolidation of taxes into the universal payment of silver. Until this reform, the Ming fiscal administration had in place a policy based on the concept of a “pre-tax-collection allocation.”⁸ This meant taxpayers were responsible for paying a certain amount for various expenditures in the empire. This payment could be made in various commodities like grain, cotton or labor. The problem with this method was that in some areas there were up to twelve different tax deadlines in a month that required several people to be recruited as tax collectors, thus interfering with their labors.⁹ The single-whip reform was a major turning point in taxation policy of China as it replaced a system that had been in place for two to three thousand years, consolidating mainly land and labor taxes into a universal payment of silver.¹⁰ Though the extent by which the single-whip reform allowed payments of silver to be made varied by region, its biggest effect was the universalizing of taxes paid in silver to be collected on the same date.¹¹ This allowed for key consolidation of the Ming fiscal administration, by simplifying the payment method and when it was collected into silver, which was already widely accepted by many Chinese as the unofficial method of payment.

The single-whip reform in essence provided more stability to Ming fiscal administration. Though the continual popularity of silver grew despite government suppression, the only logical choice was for the acceptance of silver and its promotion

⁴ von Glahn, *Fountain*, 72.

⁵ von Glahn, *Fountain*, 72.

⁶ Richard von Glahn, “Myth and Reality of China’s Seventeenth-Century Monetary Crisis,” *The Journal of Economic History* 56 (1996): 431.

⁷ von Glahn, *Fountain*, 83 and von Glahn, *Myth*, 431.

⁸ Charles O. Hucker, “The Ming Fiscal Administration,” in *The Cambridge History of China* Vol.8, eds. Dennis Twitchett and Fredrick W. Mote (Cambridge, England: Cambridge University Press, 1998), 155.

⁹ Hucker, *Ming Fiscal*, 156.

¹⁰ Liang Fang-chung, *The Single-Whip Method of Taxation in China*, trans. Wang Yü-ch’uan (Cambridge, Mass.: Harvard University Press, 1956), 55.

¹¹ Fang-chung, *Single-Whip*, 55.

instead of other practices. While this was again revolutionary in terms of fiscal policy because of the changes it brought in the way taxes had been collected, the desire for silver was thus even further escalated. The problem was that China was not able to mine the amount of silver needed to fulfill this further escalation. Data presented by William Atwell demonstrates a dramatic decrease in the amount of silver mined in China from 1400 to about 1520.¹² Though these figures go only to 1520, Atwell notes that it does not seem likely that mining totals substantially increased after this period and that “Chinese mines may have never produced as much silver as one Spanish galleon often carried across the Pacific from Acapulco to Manila during the late sixteenth and early seventeenth century.”¹³

The inability to produce the amount of silver needed to satisfy this demand only meant the Chinese would have to look to other sources. By the time the single-whip reform was in full swing by the 1570's, it is no wonder that the only good that foreign powers had that were esteemed by the Chinese was silver. This demand that had been building up during the few centuries before seems to have finally reached a climatic point during this time, and is why some merchants noted that the Chinese “will as soon part with their blood as [silver], having once possession.”¹⁴

At the same time the need for silver was growing, the silk industry was also being further developed and would serve as the primary good exchanged for foreign silver. While the silk industry has been an important part of Chinese history prior to the Manila Galleon trade, policies implemented by the Ming Dynasty allowed for further expansion and rapid growth that would later provide the base commodity exchanged for silver. The Ming government allowed several benefits for those who chose to develop raw silk. Starting as early as 1393, those who planted mulberry trees were relieved of paying the land tax. This encouraged a dramatic increase in silk production by the peasant class. This production allowed many individuals to gain some wealth for themselves, creating a highly developed textile industry that would be based in several key cities of China while still having a decentralized silk raising industry in the countryside run by the average individual.¹⁵

By the late sixteenth century the main center for the Chinese silk industry, Soochow, would reach a population of half a million people.¹⁶ This growth demonstrates that highly developed silk manufacturing centers were being established in China by the mid- to late-Ming period that centrally focused on the silk industry. Hang-sheng Chuan in describing the development of silk industry in the late Ming to the mid-Ch'ing period notes, “before the success of the Western industrialization, the development of several

¹² William Atwell, “International Bullion Flows and the Chinese Economy circa 1530-1650,” *Past and Present* 95 (May 1982): 76-79. While Atwell presents this data and several other key ideas in his article most of these figures he attributes to Hang-sheng Chuan, “Ming-tai ti yin-k'o yü yin-ch'an-e” [Taxes on Silver Mining and Silver Production Quotas during the Ming Dynasty].

¹³ Atwell, *Bullion*, 77-78.

¹⁴ C.R. Boxer, *Great Ships from Amacon: Annals of Macao and the Old Japanese Trade*, (Lisboa, Centro de Estudos Históricos Ultramarines, 1963), 1, quoted in Atwell, *Bullion*, 76.

¹⁵ Hang-sheng Chuan, “The Chinese Silk Trade with Spanish-America from the Late Ming to the Mid-Ch'ing Period” in *Studia Asiatica Essays in Asian Studies in Felicitation to the Seventy-fifth Anniversary of Professor Ch'en Shou-yi*, ed. Laurence G. Thompson (San Francisco: Chinese Material Center, 1975), 100-101.

¹⁶ William Atwell, “Ming China and The Emerging World Economy, c. 1470-1650” in *The Cambridge History of China* Vol.8, eds. Dennis Twitchett and Fredrick W. Mote (Cambridge, England: Cambridge University Press, 1998), 405.

Chinese industries was in no way behind in comparison with the rest of the world.”¹⁷ While there does not seem to be any data stating what production estimates were during the Ming Dynasty, we do know that about forty years into the Ch’ing Dynasty the Soochow Imperial Silkworks had more than quadrupled in scale to that of the late Ming period.¹⁸ These two points seem to suggest that though there was a continual growth of development in the silk industry in the rural and urban areas of China, the single-whip reform further escalated the growth of these industries as people tried to fulfill their tax obligations by gaining silver, and the Manila trade came into creation.

Even as the silk industry continued to grow and developed several decades after the galleon trade was started, this dynamic growth could not have been possible until the galleon trade started. This is because Europe’s primary supplier of silk was Persia and not China.¹⁹ The majority of silk exported from China went to two main locations: Japan and the New Spain.²⁰ Despite the fact that the silk industry in the 1570’s was substantially smaller in size than it would be a hundred years later, the industry at this time had to be highly developed, offer better quality products, and most importantly offer cheaper prices than what could be obtained elsewhere by those in the Americas. This is why during the years of 1572 until 1588, approximately 95% of all goods imported to Manila from China were silk products because it is what brought silver to the coffers of China.²¹

This natural desire the Chinese had to use silver as a medium of exchange within the few centuries prior to the implementation of the single-whip reform was because it was simply the best alternative. While the exchange of goods for silver had been long practiced in China, the single-whip reform universalized it to the whole body of China. With a population containing one-quarter of the world’s population, the shift to silver had global implications, especially since they could not produce the silver they needed.²² This is why the single-whip method was probably the most important event in China leading to this trade network. By the early 1570’s what the Chinese needed was someone to satisfy this natural desire for silver by providing two things: an almost endless amount of silver and a desire to acquire Chinese goods, namely silk.

New Spain

One of the key aspects in understanding the importance of the New Spain, as was formally controlled by the Spanish, was that the New Spain would have held in its mountains what is considered to be a majority of the world’s silver. Unlike silk or other commodities, silver is limited to a set amount because it cannot be grown or manufactured. This means the ability to have a large amount of silver is predicated on either trading for it or being lucky enough to control land that it is located on and extracting it. The huge amount of silver that the Spanish acquired was based on the second principle: that they were lucky enough to control the land on which it was located.

¹⁷ Chuan, *Chinese Silk*, 100.

¹⁸ Shih Min-hsiung, *The Silk Industry in Ch’ing China* (Ann Arbor: Center for Chinese Studies, University of Michigan, 1976), 40-41.

¹⁹ Dennis O. Flynn, Arturo Giráldez, “Silk for Silver: Manila-Macao Trade in the 17th Century,” *Philippine Studies* 44:53.

²⁰ Flynn and Giráldez, *Silk for Silver*, 53-54.

²¹ Chuan, *Chinese Silk*, 107.

²² Dennis O. Flynn, Arturo Giráldez, “Arbitrage, China, and World Trade in Early Modern Period” in *The Pacific World: Lands, People and History of the Pacific, 1500-1900* Vol.4, eds. D. O. Flynn, A. Giráldez, and J. Sobredo (Burlington: Ashgate Publishing, 2001), 264.

Silver production in New Spain was composed of large amounts of ore shipped throughout the world. Between 1550-1800, Mexico and South America produced a little more than 80% of the world's silver.²³ The majority of this production took place in Potosí located in the viceroyalty of Peru. The mountain range stretching from the bottom of Chile into Canada serves as an ideal geological place for silver to form due to volcanic eruptions during the Tertiary Age, Potosí geographic shape allowed for vast amounts of veins of silver to be formed.²⁴ This silver was discovered at Potosí in 1545, and within a period of about sixty years the inhabitants increased from 0 to about 160,000.²⁵ Potosí itself may be responsible for producing about 60% of the total amount of silver mined in the world in the second half of the sixteenth century.²⁶ While the majority of silver came from Potosí it is also important to remember other successful mines in Columbia and Mexico.

These mines produced large amounts of silver triggering a boom well underway by the late 1550's to late 1560's. Silver production further soared as the mercury amalgamation process was introduced. Harry Cross has noted that the "introduction in 1573 of the mercury amalgamation process, which profitably treated low-grade silver ore, radically transformed the industry."²⁷ He states that this led to the "development of large-scale plants and greater organization of labor," which implemented a system of forced Indian labor that brought some natives as far as six hundred miles away.²⁸ These factors would by 1585 lead to silver production being more than seven times the amount than was mined in 1572.

The vast amount of silver produced by New Spain, however, led to the devaluation of silver in relation to gold. Between 1566-1608, the silver to gold ratio was 12.12 to 1 in the Spanish Empire, while the ratio in China at about the same time fluctuated from 5.5 to 1 and 8 to 1.²⁹ This allowed huge profits to be made in trade with the Chinese. This low production cost in New Spain combined with high demand prices in China contributed to what Flynn and Giráldez define as probably the "most spectacular mining boom in human history" and why they state that the majority of this silver would be engaged in international trade.³⁰

The Spanish ability to gain silver, though they were able to conquer the land, is primarily based on geological factors that had been determined long before anyone inhabited the Americas. If the Treaty of Tordesillas had been redrawn, or if other factors had come into play to prevent Spain from acquiring these lands, most importantly Potosí, then it is unlikely that Spain would have become the power it did because its power was based on the wealth generated by silver.³¹ However, the world of counter-factual history is full of what-ifs and that is not how it happened. Spain did acquire a great amount of

²³ Harry E. Cross, "South American Bullion Production and Export" in *Precious Metals in the Late Medieval and Early Modern World*, ed. J.F. Richards (Durham: Carolina Academic Press, 1983), 397.

²⁴ D.A. Brading and Harry E. Cross, "Colonial Silver Mining: Mexico and Peru," *The Hispanic American Historical Review* 52 (1972): 547-548.

²⁵ Flynn and Giráldez, *Silver Spoon*, 209.

²⁶ Flynn and Giráldez, *Silver Spoon*, 209.

²⁷ Harry E. Cross, *American Bullion*, 404-405.

²⁸ Harry E. Cross, *American Bullion*, 405.

²⁹ C.R. Boxer, *Platas es Sangre*, 461 and Harry E. Cross, *American Bullion*, 400.

³⁰ Flynn and Giráldez, *Silver Spoon*, 209, and Flynn and Giráldez, *Arbitage*, 261.

³¹ Flynn and Giráldez suggest that if China did not require so much silver that there possibly would not have been a Spanish Empire, Flynn and Giráldez, *Arbitage*, 262.

wealth from silver ore, occurring within the same time period that the single-whip reform was adopted in China.

While New Spain would be the major supplier of silver in the world, it would consume large amounts of silk in exchange for silver, despite the existence of a silk industry in New Spain. Cortez had requested the goods necessary to start producing silk shortly after the fall of Tenochtitlan in 1522.³² While the industry had a rough start, by the 1540's most of what today is Mexico provided much of its own silk for the Americas. This is because although there was a large amount of precious metals in the Americas, few encomenderos had those prize tracts of land in which it was located. This led to the development of American sericulture that required little investment, could easily be transported, and allowed for the native population to serve as the main workforce. Sericulture spread over colonial Mexico and eventually became a great moneymaking venture for those who participated in it.³³

While raw silk was being produced at a dramatic scale in colonial Mexico, the silk textile industry developed as well. Many artisans from Spain were attracted to the Americas because of the relief of not having to pay taxes decreed in 1532.³⁴ By the time the raw silk industry was in its boom period, there was a large establishment of various textile factories in places like Mexico City and Puebla. The development of these goods was primarily focused on making profit, and the Spanish government tried to have its colonies produce goods that were of substantial worth in its colonies. In the industrial center of Puebla the Church favored the development of silk weaving as it was the main consumer of these luxurious goods.³⁵ In describing the atmosphere and consensus about the silk textiles in New Spain, Jan Bazant states, "the prospects of the silk industry in New Spain were promising, and there was great optimism about it."³⁶

With the great optimism toward the development of the silk industry in New Spain, one may then ask: "Why was the main export to Americas in the Manila Trade then Chinese silks?" There are several answers to this question. The first problem actually began during the boom period of silk production. In the 1540's a series of new laws were enacted to free illegally enslaved Native Americans and to prohibit the encomenderos from using the slaves for their own personal services.³⁷ Also during the beginning of the boom period, one pound of raw silk was worth about one and a half pesos, and by 1579 the price was nearly seven times what it had been about forty years earlier.³⁸ This jump in price seems to correlate strongly with the problems relating to labor issues. While it is highly unlikely that those who were indigenous laborers were paid well for their labor, the cost needed to be made up in the selling price of the silk and is one of the main factors that explains this rising price.

The rising prices of silk in the Americas had dramatic effects, causing Chinese silks to become more favorable. Though this paper is focused on events leading to the Manila Trade in 1573, to understand and draw this conclusion one must look at the events

³² Woodrow Borah, *Silk Raising in Colonial Mexico* (Los Angeles: University of California Press, 1943): 5-6.

³³ Borah, *Silk Raising*, 15.

³⁴ Jan Bazant, "Evolution of the Textile Industry of Puebla 1544-1845," *Comparative Studies in Society and History* 7 (1964): 59.

³⁵ Bazant, *Puebla*, 56-57.

³⁶ Bazant, *Puebla*, 60-61.

³⁷ Borah, *Silk Raising*, 27.

³⁸ Borah, *Silk Raising*, 27.

after the establishment of Manila trade to see why Chinese silks were more favorable. In better qualifying the statement that Chinese silks were more desirable than those produced in Mexico, one must first understand that the majority of the silks transported to the New World at first were in raw form. In 1620 a person could buy one picul of raw silk in Manila for 200 pesos and sell that exact same picul in Lima for 1,950 pesos.³⁹ The profit margin for sending silks from Manila to the America varies by location, but the average profit margin seems to have been between 100% to 300% of the initial investment, with some sources stating that a profit of 400% could be made.⁴⁰ The silk was not only a higher quality than those produced in Mexico, but also the Chinese were able to mimic Spanish styles.⁴¹ This demonstrates that more money could be made in transporting a higher quality and similar style silk to the Americas than domestically producing it.

Another fact contributing to the choice of Chinese silk over domestically produced silk was that Chinese silk was dramatically cheaper in price. Domestic silk on the average was about three times higher in price than Chinese.⁴² Chuan states that this decrease in price made it more consumable for the masses of the Americas. “The Indians, Negroes and other people in Peru were originally unable to buy silks because of the high price, but with large-scale imports and lower prices they bought silk textiles to make into clothes.”⁴³ As the common person was able to afford silk, the consumption grew and eventually fueled the trade of silver for silk.

Spanish silk was unable to compete at the same level as the Chinese. By 1592 the main source of silk was China; however, this concept was already instilled in the people of the Americas by 1582, and they were making the necessary adjustments.⁴⁴ Within the next two hundred years people would note that, “the Chinese goods form the ordinary dress of the natives of New Spain.”⁴⁵ Spanish American silk was not able to compete with Chinese silk that offered better prices and led to a larger consumer base. As the Chinese would be in high demand for the large amount of silver that was being produced in the Americas, those in America would easily trade for silk because it offered huge profit margins yet was still cheaper than domestically produced silk.

Philippines

In both China and New Spain there were indeed several factors discussed that led to the desire to trade for what the other had. With the Chinese need for silver and the inability to produce the amount needed domestically, it seems evident that New Spain with an overabundance of silver should trade for Chinese silk that were lower in cost and offered a much higher profit than those produced in New Spain. What was needed was a point-of-exchange where these goods could be traded. The Philippines, primarily the establishment of Manila, would serve as the contact point where goods could easily be traded, and the desires of both could be achieved.

³⁹ Chuan, *Chinese Silk*, 114.

⁴⁰ Chuan, *Chinese Silk*, 113.

⁴¹ Debin Ma “The Great Silk Exchange: How the world was connected and developed” in *Pacific Centuries: Pacific Rim History Since the Sixteenth Century*, eds. D.O. Flynn, L. Frost, and A.J.H. Lantham (New York: Routledge: 1999), 51.

⁴² Flynn and Giráldez, *Arbitage*, 266.

⁴³ Chuan, *Chinese Silk*, 112-114.

⁴⁴ Borah, *Silk Raising*, 89.

⁴⁵ Quoted in William Lytle Schurz, “Mexico, Peru, and Manila Galleon,” *The Hispanic American Historical Review* 1 (1918): 390. Schurz references this to *Extracto Historical*, f. 40b.

The problem with Spanish expansion in the East was that it was limited. Due to the Treaty of Zaragoza, Portugal had the right to most of East Asia. This turned Spanish attention to the “Western Islands,” where in 1542 Ruy López de Villalobos would set out from Mexico and renamed the Islands the Philippines after Phillip II.⁴⁶ This expedition was ill fated but the Spanish were determined to have an outpost in the East, so they sent Miguel López de Legaspi. Legaspi reached Cebu by April 27, 1565 where he established the main settlement of the Philippines until it was moved to Manila six years later.⁴⁷ The Spanish had been hopeful that like other European powers, it could establish some sort of trade or develop some sort of goods in the Philippines in order to generate monetary gains. The problem was that the only goods that the Philippines offered was cinnamon, which had little value. Legaspi in 1568 sent a letter to the King stating, “this land cannot be sustained by trade.”⁴⁸

Despite Legaspi’s pessimistic statement to the King, he really was optimistic about the potential of the Philippines. One of the major factors that seemed to give the Spanish an advantage in Asia was its determination to establish a trading outpost in the East. This determination was further put to the test as Legaspi sent Felipe de Salcedo, his grandson, back to New Spain charting the return voyage home that would come to be the return voyage back to Mexico for several centuries.⁴⁹ On the return voyage, Felipe carried the first goods across the Pacific, a small amount of cinnamon that would be of little worth in the Americas. Though cinnamon offered little chance of making a profit, Legaspi was determined to establish trade with the Chinese. In almost a prophetic voice he stated, “We shall gain commerce with China.”⁵⁰

What became key to establishing trade with the Chinese was a decision made by Legaspi to move the capital from Cebu to Manila in 1571. Manila was key to the establishment of trade for several reasons. First, Manila had the advantage of being in an ideal location that allowed for trade with much of East and Southeast Asia within a short period of time.⁵¹ This meant that Manila served as a strategic point in Asia that allowed Spain to not only be in an ideal location, but also had one of the best harbors. It is estimated that the annual cost of maintaining the Philippines between 1591-1780 was 10 to 15% of the total income brought from the Manila trade.⁵² Despite the cost to maintain such a port, the Spanish must have viewed this outpost as key not only for commercial reasons, but the strategic location as well.⁵³

⁴⁶ Schurz, *Galleon*, 21.

⁴⁷ Schurz, *Galleon*, 23.

⁴⁸ Miguel López de Legaspi, quoted in Schurz, *Galleon*, 23.

⁴⁹ Schurz, *Galleon*, 24.

⁵⁰ Miguel López de Legaspi, quoted in Schurz, *Galleon*, 27.

⁵¹ M.N. Pearson, “Spanish Trade in Southeast Asia” in *The Pacific World: Lands, People and History of the Pacific, 1500-1900* Vol.4, eds. D. O. Flynn, A. Giráldez, and J. Sobredo (Burlington: Ashgate Publishing, 2001), 119.

⁵² Carla Rahn Phillips, “The Growth and Composition of Trade in the Iberian Empires, 1450-1750” in *The Rise of Merchant Empires: Long-distance Trade in the Early Modern World, 1350-1750*, ed. James Tracy (Cambridge, Cambridge University Press, 1990), 98.

⁵³ Even though the cost to maintain Manila was high, it is estimated that the Spanish Crown made a profit of 218,415 pesos a year through much of the seventeenth century. See Dennis O. Flynn and Arturo Giráldez, “Spanish Profitability in the Pacific: The Philippines in the Sixteenth and Seventeenth Centuries,” in *Pacific Centuries: Pacific Rim History Since the Sixteenth Century*, eds. D.O. Flynn, L. Frost, A.J.H. Latham (Routledge: New York, 1999) 25.

Another important fact about Manila was that previous to its settlement by the Spanish, Chinese relationships with Manila and the Philippines had been going on for some centuries. In 1570, prior to the establishing of what would become Manila, a settlement of about 150 Chinese was located in this area.⁵⁴ Contact between China and the Philippines seems to have begun sometime in the Sung Dynasty, and there had long existed a Chinese settlement in the Philippines.⁵⁵ This long-established connection that the Chinese had with the Philippines proved to be an advantage that would help to stimulate the trade between China and Manila. Overall, Manila was a good location for the Spanish to set up shop because of the strategic geographic location and its history with China.

A concept that has been maintained by Flynn and Giráldez is that the “birth of world trade” began in 1571. They state that “based on Boxer’s logic, we choose 1571 – the year the city of Manila was founded as a Spanish entrepôt – as the specific year during which global trade was born.”⁵⁶ The problem with this argument is that trade did not commence between the Spanish and the Chinese until 1572. The events leading to this trade are based on an incident in which one of Legaspi’s ships rescued the crew of a Chinese junk off the coast of Midoro.⁵⁷ The Chinese must have related this experience and the generosity that they received from the Spanish. In describing the events that followed, the Augustinian historian, Padre Zuñiga states, “at the beginning of 1572 there arrived, with a great deal of rich merchandise those Chinese whom the Spaniards had saved from the shipwreck on Midoro, together with many others of that nation. With this the foundation of a lucrative commerce was laid.”⁵⁸ The goods obtained by the Spanish from the Chinese were transported to Acapulco in two galleons in 1573 containing 712 pieces of silk and other goods.⁵⁹ Thus, in 1573 the trade network had been established in which silk was traded in Manila to the Spanish for silver, since there were not other goods that the Chinese could want, and this silk crossed the Pacific to Acapulco. By 1576 the trade was firmly established as more and more Chinese junks came to Manila to obtain the much-needed silver.

While the flow of goods between China and the Americas actually started in 1573, Flynn and Giráldez’s statement can also be based on the fact that Manila was to serve no other purpose than the support of possible trade with China. However, the obtaining of Chinese goods can be traced back to before the establishment of Manila. The first acquiring of Chinese silks seems to have happened when Moro traders first appeared at Cebu.⁶⁰ The Moros provided goods like silk and porcelain, which they had obviously obtained from China, to the Spanish. This is probably the first incident of

⁵⁴ Edgar Wickberg, *The Chinese in Philippine Life, 1850-1898* (Quezon City: Ateneo de Manila University Press, 2000): 4.

⁵⁵ Wickber, *Philippine Life*, 3. Information is presented about Chinese Philippine relationships prior to Spanish arrival in the archaeological findings described in Olvo R. T. Janse, “Notes on Chinese Influence in The Philippines in Pre-Spanish Times,” *Harvard Journal of Asiatic Studies* 8, (1944): 34-62.

⁵⁶ Dennis O. Flynn and Arturo Giráldez, “Cycles of Silver: Global Economic Unity through the Mid-Eighteenth Century,” *Journal of World History* 13, (Fall 2002), 393, and Flynn and Giráldez, *Silver Spoon*, 201-218

⁵⁷ Schurz, *Galleon*, 27.

⁵⁸ Padre Zuñiga quoted in Schurz, *Galleon*, 27.

⁵⁹ Schurz, *Galleon*, 27.

⁶⁰ Benito Legarda, Jr., “Two and a Half Centuries of the Galleon Trade” in *The Pacific World: Lands, People and History of the Pacific, 1500-1900*. Vol.4, ed. . O. Flynn, A. Giraldez, and J. Sobredo (Burlington: Ashgate Publishing, 2001), 338.

Chinese goods coming into the hands of those Spanish in the Philippines.⁶¹ However, the amount of goods does not seem too significant as the governing center was moved to Manila and a lucrative trade was not established with a preexisting system.

⁶¹ Legarda, *Centuries*, 338. This is a topic that is briefly mentioned by Legarda, who does not cite where he obtained this information, while other citations in the general area of this reference to Schurz *The Manila Galleon* do not mention Moro traders. This is a topic that needs to be further investigated and pursued as to why the Spanish did not further establish trade with this preexisting system.

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The good deed of Legaspi's men is probably the biggest factor leading the Chinese to Manila. If it had not for this incident, the Chinese probably would not have come to Manila seeking to trade at this time. Also, it seems that as word spread, Chinese junks came to Manila to receive the almost endless supply of silver that would be transported to Manila. Despite this, though, Spanish determination to establish trade with China may have come from another source as Legaspi was focused on gaining Chinese goods.

While Manila did serve no other purpose than to support a trading center with China, the 1571 date does not seem to be the best. Instead the date of July 1, 1573, the date two galleons left with silk to New Spain, is a better date if the birth of world trade is truly to be based on when Manila came to be an entrepôt. This distribution of acquired Chinese goods to New Spain demonstrates that Manila had begun the purpose that it would maintain for two hundred and fifty years.

Conclusion

While there are probably more factors leading to the Manila galleon trade than mentioned, it is evident that the primary forces at work revolved around silver, silk and the establishment of Manila. Chinese demand for silver, further escalated by single-whip reform, just so happened to coincide with the mercury amalgamation process being

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implemented in the Americas, while Legaspi's men would also be saving Chinese sailors. These events made possible a network that spanned for almost 250 years.

Silver was to be the main player in these events. While some have suggested that the desire for Chinese goods is what really escalated the trade, it is important to remember that China initially needed Spanish silver more than the Spanish need Chinese goods. While this is not meant to downplay the role silk played in the Manila trade, it is a reminder that Mexico's growing sericulture was hindered by the Chinese offer of cheaper and better quality silk. It is because of this that questions can be raised as to which empire actually had the greater need. By the time the trade route was firmly established in 1576, those in New Spain had just as much need for Chinese silk as the Chinese had for Spanish silver because of the great -profit that could be made. Ultimately, they both relied heavily upon each other.

In defining this route as the landmark event leading to world trade, the events between the Chinese and Spanish come into play as both regions are explored. Surely a global perspective provides more insight than an individual regional history. Only this perspective can truly grasp the understanding of the developments on the both sides of the Pacific Ocean. If the Manila galleons clearly did mark the start of world trade by linking these last two continents together in 1573, then the only way one can understand it is to evaluate both areas in regards to silver and silk and the origin of trade because these are the key elements leading to its beginning.