History Research
2025, Vol. 13, No. 2, pp. 80-88
https://doi.org/10.11648/j.history.20251302.14

Research Article

The Manila Galleon and the Trade Monopoly of the Philippine Islands

Yang Yang[1, 2, 3, 4, *]

[1]Law School, Shen Yang Normal University, Shen Yang, China
[2]Legal Culture Centre, Shen Yang Normal University, Shen Yang, China
[3]Global Innovation Law and Policy, University of Alicante, Alicante, Spain
[4]Legal History, University of Alicante, Alicante, Spain

Abstract

Spain opened the world's first global trade route through China, the Philippines, Mexico and Seville. This route became the lifeline and supply line for the Spanish royal family to maintain its colonial rule in the Philippine Islands for more than 330 years. At the same time, with the help of this route, early indirect, rather than direct trade was generated between China and Latin America. While countless praises describe this route, it is undeniable that the disadvantages it brought cannot be ignored: the mined silver continued to flow to Asia rather than Europe and did not significantly improve the local agricultural and industrial development in the Philippines at that time. At the same time, the lucrative Chinese materials destroyed the interests of local Spanish merchants, etc. In the last 10 years of the 16th century, the Spanish royal family issued a series of decrees. Franchise, Permiso, Pancada, Boleta and Tariff were superimposed together to form a complete set of trade monopoly business models, which maintained Spain's colonial rule in the Philippines and maintained a certain balance between colonies and between colonies and the mother country to the greatest extent. Unfortunately, it did not promote the long-term development of the first globalization. Under the challenge of other countries and military forces, this route, which was hailed as the most profitable, finally came to an end. This article uses literature analysis to elaborate on five types of trade monopolies and their corresponding laws, expressing that monopoly trade can only create short-term, false prosperity, and long-term trade requires open markets and full competition. This is not only a reflection brought about by the Manila Galleons in the 17th century, but the same principle also applies to the fourth globalization.

Keywords

Manila Galleon, Trade Monopoly, Philippines, New Spain, Silk Road

1. Introduction

In the first globalization history marked by the galleon, there was neither direct trade between the Ming Dynasty of China and Latin America nor free trade, two reasons followed.

First, although this route was named the Manila Galleon (MG), it seemed to silently explain that the starting point of this route was Manila Bay in the Philippines. In fact, when

*Corresponding author: 332151yang@gmail.com (Yang Yang)

Received: 15 July 2025; **Accepted:** 25 July 2025; **Published:** 13 August 2025

General Legazpi and his expeditionary arrived in Cebu, Philippines, the islands were still based on the Barangay [2] as the main social model. Obviously, the backward political model and poor economy could not undertake such an important task. In fact, the goods mainly came from China, Japan, India and other places, among which Chinese goods were the most well-known, and then Manila Bay (MB) became the transit station between the Ming Dynasty and Latin America, the trade was indirect.

Secondly, the Philippine Islands was one of Spain's overseas colonies and the only colony in Asia. From the report of the Spanish Indian Affairs Committee, it can be inferred that the Philippines, belonged to the Vice-Governorship of New Spain, and the "Philippines Jurisdiction" was under the rule of the Governor of New Spain [6], "those appointed as the Governor set out from Mexico" [6]. MG was a global trade route, and naturally, it had to "serve such administration" [9] and "transport personnel, letters, materials, etc. … on both sides under the jurisdiction of the Governor of New Spain" [1].

It cannot be denied that in the first 30 years, the trade conducted by the MG should be defined as free trade. Compared with the history of the first globalization, it was only a moment. After that, "trade restrictions or trade monopoly" [7] was the main existence.

2. Three Problems During the Early Free Trade

General Miguel Lopez de Legazpi set out from Mexico on the orders of the Spanish royal family and arrived at Cébu in the Philippines in 1565. On August 14, 1569, Legazpi was appointed Governor, and, in 1571, he captured Manila and realized the colonial rule over the Philippines. Manila became the central government of the Spanish colonial authorities and a transit port for navigation to the Americas. Andrés de Urdaneta, a Spanish Augustinian navigator, explored a new route that used the monsoon currents to return to Mexico from west to east along the North Pacific Ocean, and brought back cinnamon and some spices from the Philippine Islands. In 1573, two large sailing ships loaded with Chinese goods sailed from the MB in the Philippines to Acapulco on the coast of Mexico in America, the original globalization and the famous MG began and lasted until 1815.

Before the establishment of colonial rule, the social system of the Philippines was still in the primitive tribal stage, called Barangay with low productivity, backward agriculture and handicrafts, far from what the colonial authorities had imagined. However, Legazpi discovered an important clue that the locals had business and direct barter activities with the Chinese. In a letter to the king in 1569, he mentioned: "we should trade with China, where there was silk, porcelain, benzoin, musk and other handicrafts and spices" [27]. "The handicraft products produced in China were cheap and good, which could not only meet the daily consumption needs of the locals but also be shipped to the Americas to earn high profits. This would not only stabilize the Spanish colonists who came to the Philippines but also increase the financial income of the royal family" [27]. "In the 30 years after the conquest, trade on the island was unrestricted and developed rapidly" [24]. "China's trade with the ports here was extensive and growing steadily, and Chinese merchants brought better quality goods than before" [25], until 1589, the Spanish royal order stated: "[…] that it is best not to impose the above tariffs […] supplies and ammunition. Unless otherwise ordered and decreed, you are not allowed to levy taxes in history" [27].

From the above data, it can be inferred that free trade was carried out in MB. Between 1575 and 1583, when the galleon trade began, an average of 20 Chinese merchant ships sailed to Manila each year, generally "bringing 200,000 pesos worth of goods" [23], the population of Manila also increased rapidly. When the Spaniards arrived, the population here was only more than 2,000 people, and by 1591 it had grown to about 34,000 people [29]. In a letter to the king on April 26, 1590, Bishop Salazar wrote enthusiastically: "[…] so full of life to Manila, I would not hesitate to admit to your Majesty that there was no other famous city in Spain or in these regions that had such a thing worth seeing as here; because here you could see all kinds of goods and novelties from China being traded" [21].

The above thriving scenes, with the MGT's continuous expansion, some important problems were constantly exposed.

Firstly, MGT was not conducive to the development of agriculture and handicrafts in the Philippine Islands. Trade encouraged commercial speculation. The colonists in the Philippines found that local living materials depended largely on imports from China, so some people wisely realized the need to encourage and expand agricultural production in the archipelago. In a letter to the king on June 30, 1586, Pedro de Rojas accused the Chinese of damaging the interests of the colonies with silk and other luxury goods trade, and he suggested that such trade should be banned, "not importing silk and luxury goods"[28], "more grain and livestock" [7], that is, "living materials from China that were beneficial to agricultural production" [9] were suitable for the Philippine Islands at that time. Another situation cannot be ignored. If the Spanish people who would stay in the Philippine Islands, most of whom were soldiers, actively engaged in business, they would ignore military tasks, "lose courage" [27], and "become decadent and morally corrupt" [27]. Gómez Pérez Dasmarinas, another governor of the Philippine Islands, wrote to the king on June 20, 1592, "[…] the indigenous people of the Philippine Islands should be allowed to plant (agriculture) as widely as possible and weave their own cotton" [5].

The rapid leap from Barangay to Colony did not benefit agricultural production itself. Business, with speculation as the main means, made people restless on the land, business may eventually be a castle in the air. This also shows from another side that the island trade prosperity driven by the MG was a rootless transit trade prosperity, which was just a profit from reselling.

Secondly, New Spaniards took away the Filipinos' business.

Because the galleon trade was so profitable, some New Spaniards and Peruvians came to the Philippines to trade with the Chinese, which damaged the interests of Filipino merchants. In a letter to the king in June 1586, the Manila City Council complained that the Mexican merchants who came to Manila and traded with the Chinese not only caused losses to the city's merchants, but also to the colonial government [3]. Therefore, it was requested that the MG's transportation route be limited to the permanent residents. “The trade between Mexico and China that was beginning to endanger the existence of the Philippine colony, the colony lost its best ships, the number of colonists was no longer increasing, and the population size was no longer expanding” [9].

From 1580 to 1640, the Portuguese were allowed to participate in Manila's trade, and Portuguese merchants from Macau replaced Chinese merchants in supplying goods. In a memorandum submitted to the Manila Council in 1632, Navada Alvarado, stated that the Portuguese from Macau replaced the Chinese in trading with Manila, causing damage, which made it impossible for the citizens of the Philippines to profit from the goods they shipped to New Spain [4].

> “The goods they brought greatly reduced the colonial government's tariff revenue…… The high prices of their goods reduced the benefits obtained by the citizens of the Philippines. …… They prevented the Chinese from coming to Manila by purchasing Chinese goods at high prices and spreading rumors and distorting the Spaniards. […] attacked Chinese trading ships recklessly and treated Spaniards doing business in Macau unfairly. […] For the sake of transportation space and profit, they usually only carried raw silk and silk fabrics, and rarely carried cotton cloth and daily necessities” [27].

Thirdly, MGT impacted the Spanish trade in the Americas.

Spain's export trade to the American colonies was conducted through merchants in Seville, who could not tolerate the impact of Chinese silk products entering the Americas on Spanish products. “Many Chinese goods, including textiles such as gold, silk, cotton and other commodities, were sold at low prices. […] although these goods were of higher value and better quality, they could not be sold because the country was full of products from China” [12].

On November 15, 1586, the Governor of Mexico, Villa Manriquez, reported, “so cheap that Spanish products simply could not compare with them. Chinese brocade was much better than Spanish taffeta, but the former was sold at less than half the price of the latter, and the same was true for all other fabrics” [28]. It is obvious that they could enjoy the greatest prosperity in this way, and New Spain and Peru will also have more of what is needed and lacking locally. But the Spanish business would be destroyed and even had a devastating impact. Because the goods sent from Spain to New Spain were more expensive than those from the Philippines, if the goods would enter from the two places separately without restrictions, then consumers will tend to buy from Filipinos rather than from Spaniards.

Trade restrictions could avoid this phenomenon of one gaining while the other losing, safeguard the products sent from Spain to New Spain, and achieve common growth in trade between different places. At the same time, the MGT led to a decline in royal income and the loss of precious metals, such as silver. In 1586, the Manila Council sent a letter to Felipe II:

> “The tariffs of Sevilla and Vera Cruz were gradually decreasing and losing, and they were causing great harm to merchants. About four or five thousand pesos were brought from New Spain to Manila, and from here, these riches were brought to China. …... The royal income and tariffs are decreasing, castilian merchants are suffering losses, and silver is brought to a pagan country, and the island will be destroyed” [26].

Under the effect of mercantilism, wealth was gold and silver, if gold and silver would flow abroad, it was a loss for Spain. Most of the silver that flew outward was transported to China by the MG, China was the silver center of Europe and Asia. As a result, there were more reactionary voices in Spain. To protect Spanish industries and to reserve a share of the American market for Spanish merchants, on February 11, 1593, Commercial Restriction Order was issued:

> “In the past few years, the West Indies suffered so much loss, while those engaged in the China trade made a lot of money and their profits greatly increased. The business of Castile and the West Indies declined, the income and the royal family greatly damaged. […] I decided to issue a new decree to prohibit the trade between the West Indies and China” [26].

From then on, the free MGT ended, and the trade monopoly began.

3. The Construction of the Galleon Trade Monopoly System

Spain established its colonial system in Mexico earlier than the Philippine Islands and had already formed a mercantilist trade monopoly legal system. *Colonial Trade Bureau* was responsible for regulating trade between Spain and Mexico, and implementing a quota policy to limit the types of goods traded. In overseas jurisdiction, the governor of the Philippine Islands was subject to the jurisdiction of New Mexico. Therefore, based on the restrictions on trade jurisdiction in New Spain, to strengthen the MGT's management, the Kings promulgated a series of decrees from the late 16th century to the mid-17th century, the international trade entered the monopoly stage from the free stage.

3.1. Franchise

The purpose of the franchise system was to realize and protect the interests of operators by restricting the trading and operation of MG. In 1583, the king stipulated that the inspection power of galleons and the appointment power of officers and crew on board belonged to the royal officials of Manila, and the quota of galleons was limited to Philippine residents and registered merchants [8]. In 1590, the royal decree mentioned that since New Spanish merchants or their agents invested in trade with the Chinese, purchased goods at wholesale prices and raised prices, and their goods occupied the space of galleons, seriously damaging the interests of Philippine residents.

"Only local residents of the Philippines were allowed to engage in trade with the Chinese; New Spanish merchants were prohibited from investing in Philippine trade … agents or companies in the Philippines; anyone who wanted to engage in trade in the Philippines must become a resident of the Philippine Islands and live there for at least 10 years" [10].

The royal decree of 1593 reiterated:

Galleon trade with New Spain was limited to the inhabitants of the Philippine Islands, and all locals or inhabitants of New Spain or other parts of the West Indies were not allowed to engage in trade in the Philippine Islands. No ship was allowed to go to China from Peru, the northern coast of South America, Guatemala, New Spain or anywhere in the West Indies. No ship was allowed to go to the Philippine Islands except ships departing from New Spain. Violators would have their ships confiscated [11].

The decree of 1604 reiterated:

"We ordered the Governor, not to allow anyone to go to the Philippines unless the person promises that he would become a Philippine citizen and live there for at least eight years, or he is sent to the Governor of the Philippines as a soldier. Those who violated this… would be punished with unforgivable punishment" [10].

The royal family granted the right to operate the MGT to the Filipinos, excluding operators from other places. The implementation of this system is aimed at protecting the interests of the Spanish residents of the Philippines and consolidating the Spanish royal family's colonial rule over the Philippines. Previously, the excessive participation of wealthy merchants in the MGT of New Spain squeezed the space for Filipinos to operate trade, and the above provisions helped to calm the dissatisfaction of the Filipino residents [12]. On the other hand, this measure can also prevent Chinese merchants from making too much profit in this trade, because the investment of New Spanish merchants in this trade has previously driven up the price of Chinese goods. In general, the royal family believes that this provision would be conducive to the stability of the colony and prevent the reduction of royal income [22].

Another aspect must be explained in conjunction with the franchise legal system. In contrast to the free trade period, the royal family no longer encouraged the extension of the galleon trade to other American colonies outside New Spain. To appease the demands of Spanish merchants and protect their commodity sales market in the Americas, the royal family issued a series of decrees to prohibit Chinese goods from flowing to Peru, the northern coastal areas of South America and other areas in the West Indies. The decree of 1593 stated: "all Chinese goods shipped from the Philippines to New Spain can only be consumed there" [22], "banned from being shipped to Peru, the northern coastal areas of South America or any other place in the West Indies" [13], otherwise they will be confiscated.

"We still prohibit the shipment of any goods brought from the Philippines from New Spain to Peru and the northern coastal areas of South America. Our goal was that no Chinese and Philippine goods are consumed in Peru and the northern coastal areas of South America" [11].

"We request and order the Viceroy of Peru to ensure that all decrees prohibiting Chinese goods were enforced. …… We order the Viceroy of Peru and the Viceroy of New Spain to prohibit and suppress business and trade between the two kingdoms in all possible ways and means without fail" [14].

3.2. Pancada

In terms of the organization of the source of goods for the galleon trade, the royal family required the Philippine authorities to adopt *Pancada* [11] system. Since the Chao Shan people and Min Nan people in Fu Jian, Guang Dong and other places in China have strong trading capabilities in all dynasties, the Spaniards and the Philippines are inferior.

In 1589, the royal family suggested to the Philippine authorities:

"Chinese or foreign ships shall not sell the goods they transport to the islands at retail prices as they do now; residents shall not buy these goods openly or secretly, and violators will be severely punished. The purchase of the above goods would be discussed by the Council, and as many qualified personnel as possible would be appointed according to business needs. They would purchase all the goods brought by the ship in batches, and then distribute them fairly to citizens, Spaniards, Chinese and Indians at assessed prices" [16].

"Chinese were prohibited from engaging in retail business in Manila" [13].

"[…] We commanded and required that no one shall trade or deal in any part of China, nor shall any goods be sent from China to the Philippine Islands in the name of Philippine merchants. The Chinese shall be responsible for the transportation and bear their own risks. These goods shall be sold in the form of bulk purchases" [23].

The Philippine Governor, Captain-General and the Manila Council should appoint 2-3 persons every year, provide them with the best tools to assess the value of these goods, and purchase them in bulk from the Chinese [18]. Afterwards, they distributed these goods to the citizens or natives of the island according to their capital. In this way, all could share in the profits and benefits generated by MGT.

In addition, the Spanish believed that the retail stores of Chinese merchants were often secret bases for pagan rituals. Prohibiting Chinese merchants from engaging in retail would help to clean up the pagans and allow the Spaniards to run the retail industry and create employment opportunities for them. By the late 17th century, the system was unsustainable. In 1696, the King of Spain announced that *Pancada* was no longer applicable. Starting in 1703, regular market transactions gradually replaced *Pancada*. However, this system was complementary to the franchise, which almost became the most important legal system during the period of trade monopoly or the early period of trade monopoly [19].

Pancada should be matched with the cargo inspection and stock price system [9]. Inspection and valuation are the basis for taxation and assessment of cargo weight and can also prevent overloading of cargo and smuggling. Therefore, the royal family stipulated a cargo inspection and valuation system for the galleon trade. The royal decree of 1604 stipulated that an inspector and accountant should be set up on each Manila galleon to be responsible for the accounts of all affairs and maintain the necessary systems. They should inspect the goods loaded on the ship as commodities and the goods transported back and keep accounts. Like other officials on the ship, they are appointed by the governor and archbishop of Manila and receive salaries [20].

The 1627 decree stipulated that:

"The valuation of goods shipped from the Philippines to New Spain would be carried out in Mexico by an accountant from the Mexico City Accounting Office, an official from the Royal Treasurer, and a member of the Consulate in that city. The Governor shall appoint this valuation team two weeks before the start of the valuation every year" [20].

In New Spain, at the port of Acapulco, the register of all goods shipped from the Philippines should be opened by customs officers appointed by the Governor and royal financial officials, who will jointly check and verify the packages and boxes to prevent the entry of unregistered or unauthorized goods [26].

The above register and the results of the inspection in Acapulco were then taken to Mexico City by a royal official. In Mexico, everything had to be rechecked and evaluated. The customs duties belonging to the king were to be collected, and necessary measures were to be taken to determine which goods were unregistered or prohibited and then confiscated. Until the ships returning to the Philippines from New Spain, the royal family stipulated that before the merchant ships set sail from Acapulco, the royal officials at the port must carefully check and register the amount of silver and other commodities, and send the register to the governor of the Philippine Islands and other royal officials there, informing them of all the necessary information about the merchant ships. This inspection and valuation system determined the weight and value of the cargo from the port where the galleon set sail and then checked and valued it again at the port of unloading, confiscating and punishing the overloaded part, which to a certain extent played a role in curbing overloading and preventing smuggling.

3.3. Permiso

Although the king granted the right to operate trade between the Philippines and New Spain to the Filipinos, in view of the complaints of Spanish merchants, the king wanted to limit the amount of trade on the Philippine route.

The 1593 decree stipulated:

"Only two merchant ships are allowed to travel from New Spain to the Philippine Islands each year, and each ship cannot carry more than 300 tons of cargo. In addition, they must carry personnel and material supplies provided by the Viceroyalty of New Spain to the Philippines and hold a license." [13]

The royal family also stipulated the cargo value of each galleon: under any circumstances, the value of goods sent from the Philippine Islands to New Spain each year cannot exceed 250,000 pesos, and the principal and profit returned cannot exceed 500,000 pesos in total" [27]. The royal family implemented quota management on the number, tonnage and value of sailings of the galleons each year, aiming to balance the interests of merchants from the colonies and the mother country. Because the cargo of the Manila galleons shipped to New Spain and other American colonies formed an impact on the goods shipped to the American colonies by the mother country merchants through the double fleet, which was opposed by the mother country merchants, mainly Seville merchants and Andalusian silk merchants, who even asked the royal family to give up colonizing the Philippines. However, the Philippines is not only of commercial value to Spain, but also of strategic value. Its geographical location close to China and Japan makes it an ideal base for Spain in the East. Therefore, balancing bilateral interests through the quota management system is a strategy.

3.4. Boleta

Due to the implementation of the export quota management system, the tonnage and value of cargo ships each year became limited, and being able to occupy a seat on a cargo ship to transport one's own goods became a privilege. The royal decree of 1604, stipulated that the right to allocate the cargo tonnage share of the Manila galleon should be implemented by the Governor of the Philippines, the Archbishop of Manila, the President, the Royal Treasurer and the Council of 2 members of the Manila Council, and the share should be fairly distributed to citizens of the Philippines who had the ability to invest.

In view of some problems that arose in the implementation of this decree, “in the permission for the cargo space allocated to the citizens of the Philippines to New Spain, it was requested to allocate these powers according to their rank and wealth” [12].

However, the governor did not allocate according to the royal order. Sometimes they paid officials at half price under the pretext of reward, forcing residents to buy such warehouses at an excessively high price. Sometimes they distributed many cargo spaces for charitable purposes and sold them, using the proceeds for charity, thus harming the public welfare. This resulted in the cargo spaces of the Manila galleons being sold to those who offered the highest price, to merchants with property in Mexico, who were often the largest owners of the cargo goods, and to the disadvantage of the residents who were allowed to give preferential treatment, the allocation of cargo space by a special council was usually achieved through *Boleta*.

That is, the unit of each *Boleta* was a bale, and each bill was divided into six parts for easy distribution and sale. The bill meant the right to transport, and every Filipino citizen had the right to share in proportion according to his capital or social status. This was a distribution of benefits, which was conducive to stabilizing Spain's colonial rule over the Philippines. Some widows or orphans of Spaniards would also get bills, which they often sold to merchants and speculators. As a result, a market for buying and selling bills gradually formed in the Philippines. Depending on the year, the value of each bill ranged from 80 pesos to 300 pesos, which eventually led to the situation where *Boleta* was monopolized by a few people.

3.5. Tariff

Tariffs are an important source of fiscal revenue for the royal family of the sovereign. Tariffs imposed on the MGT help maintain the existence of the Philippine colony and reduce the royal family's fiscal expenditure. The so-called tariff system mainly refers to the import and export taxes imposed by the sovereign on the goods of Chinese and other Eastern merchant ships, the export taxes imposed on Manila merchants, and the import taxes imposed on galleon goods in the port of Acapulco, Mexico. Initially, goods entering and leaving Manila were exempt from taxes, but starting in 1581, the governor of the Philippines, Gonzalo Langille, first imposed a 3% tariff on the import and export goods of Chinese merchant ships. In 1588, the Manila Tribunal wrote to King Felipe II:

> "[…] the Tribunal carefully examined the 3% tariff proposed by Governor Gonzalo Lonquille on imported and exported goods... Considering the scarcity of the island's royal treasury and the large amount of expenses here, the Tribunal ordered the continuation of the 3% tariff.” [15]

During Lonquille’s tenure, a 3% tariff system was implemented, with imports and exports being the same. In 1606, the import tax rate was raised to 6%: “we order that the 3% tariff on goods brought from China to the Philippine Islands be increased by another 3%” [15]. On June 20, 1591, Dasmarinas, wrote to the royal family that to build fortifications, he would impose a 2% export tax on the goods of all citizens in the islands, but was opposed by the bishops and members of the Inquisition, apparently because the measure touched their personal interests. The implementation of the tax increase came later than the legislation. In 1610, Governor Juan de Silva implemented the new plan. The import tax rate on oriental goods in the Philippines rose to 8% in 1714 and then declined. 3% export tax was levied on goods owned by Manila citizens, and the annual tariff was about 40,000 to 60,000 pesos. The main part of the tax revenue from the galleon trade came from Mexico. Mexico initially levied taxes according to the cargo weight of the galleon, such as 12 pesos per ton of goods. In November 1591, the royal family stipulated that, “Chinese goods and goods from other countries shipped to New Spain via the Philippines should be subject to a 10% ad valorem tax based on the value of the goods at the port and area of discharge” [11]. Since then, a fixed number of tariffs has been collected according to the value of the galleon. In 1684, the Governor Tomás de la Cerda y Aragón collected 74,000 pesos, by 1720, the fixed tariffs had risen to 100,000 pesos [20].

In addition to customs duties, taxes related to galleon trade include merchant ship port tax, marine damage tax to prevent pirates, and sales tax on galleon cargo sold outside Mexico City. The amount of these taxes was generally small.

The tariffs levied on the galleon trade were an important supplement to the Philippine finances. The main part of the Philippine finances came from the financial allocations of the Viceroyalty of New Spain. This was not the generosity of the royal family, but the characteristic of the Spanish Empire's finances. The royal family required the silver-producing regions of Mexico and Peru to support those strategically located but economically poor regions. In fact, the expenses of maintaining the Philippine islands far exceeded the income from the galleon trade. For example, in 1640, the total administrative expenses of the Philippine authorities were 850,734 pesos, while the annual income from the galleon trade was only 300,000 pesos. But in any case, the income from the galleon trade saved at least 1/3 of the royal finances.

3.6. Restriction on the Export of Precious Metals

An important feature of early mercantilism was to reward exports and restrict imports in foreign trade (reward exports and restrict imports) and prohibit the export of precious metals. This feature was well reflected in the ban on the trade of large sailing ships. In 1589, the king pointed out Dasmarinas, “you should try to exchange the products of these islands for Chinese goods…… so as to avoid paying as much coins as usual to foreign countries” [21]. Similar content also appeared in the 1596 decree: “the governor of the Philippines should try to promote other products of the island in the exchange and barter with China and try to avoid bringing a lot of money to foreign countries” [17].

At the same time, the king also ordered to prohibit the outflow of silver from New Spain:

> “In addition to royal officials, the port of Acapulco should also have an honest and reliable mayor who will act prudently and enforce the law impartially and will not allow the Philippines to provide more silver than the amount allowed by law, whether with or without a license” [27].
>
> “It is forbidden to bring forged silver to the Philippines for any purpose, even if the silver is to be used by the person going there, or for any other reason” [15].

Some South American ships sailed from the ports of Peru to Nicaragua and Guatemala, pretending to obtain asphalt and other things, and then often went to Acapulco to exchange the large amount of silver they carried for Chinese cloth. After the king learned of this fraudulent behavior, he ordered in a decree in 1621:

> “Under no circumstances shall any ship or other fleet from the above-mentioned ports or provinces of Peru go to the port of Acapulco” [15].

These decrees emphasized preventing the outflow of precious metals beyond the legal trade volume, including preventing precious metals from Peru from flowing to New Spain, preventing precious metals from New Spain from flowing to the Philippines, and preventing precious metals from the Philippines from ultimately flowing to China.

Another system should not be regarded as an independent system, that is, the Spanish royal family had always been engaged in profitable trade activities by officials related to the MGT. The galleon trade is an official act monopolized by the Spanish royal family. The important positions on the galleons are officials appointed by the Philippine Islands authorities. To make them fulfill their duties, they are paid a considerable amount of salary for each voyage. However, galleon trade was also a highly profitable business activity, which inevitably leads to corruption.

This can be seen from the following order of the king in 1604:

> “It was my knowledge that in the past few years, the commanders, naval captains and other officers of the above-mentioned ships committed many violations in carrying money and bringing back large quantities of goods and cargo, caused serious dissatisfaction among merchants, especially citizens of the Philippines” [14].

4. A Historical Summary and Reflection

The Philippine galleon trade was an official act, galleons were the property of the royal family, private fleets had no right to sail to America and its purpose was to maintain the rule of the Philippine colony. The king granted the right to operate the galleon trade to the Spanish people in the Philippine Islands, excluding operators from other places; *Pancada* reduced the purchase price of the Spanish; *Permiso* and *Boleta* guaranteed the basic interests of the Spanish in the Philippines and their more fair and reasonable distribution; the tariff system and the inspection and valuation system guaranteed the fiscal revenue of the Philippine colony; restrictions on the outflow of precious metals prevented the flow of silver to Asia outside the normal trade quota, etc.

From the perspective of the Spanish Empire, this trade monopoly system theoretically played at least three major roles:

Firstly, it balanced the relationship between the various parts of the Spanish Empire. On the one hand, the franchise system excluded the New Spanish, Peruvians, and Portuguese from the right to operate the galleon trade, and the Spanish people in the Philippine Islands enjoyed it exclusively. On the other hand, *Permiso* and the restrictions on trade between New Spain and other colonies in the Americas successfully suppressed the influx of oriental manufactured goods, especially Chinese silk, into the American market, and partially guaranteed the market for silk and industrial products of the Spanish colonial power in the Americas. This is a compromise solution, because the merchants in Seville, Spain and the merchants in the Philippine Islands are tit-for-tat on the issue of occupying the American market. If the Spanish merchants are to be satisfied, the interests of the Spanish Empire in the East would be damaged; and if the Manila merchants are satisfied, it would inevitably cause dissatisfaction among the local Spaniards. Choosing only one of the two was too extreme, and although both sides were not very satisfied with this compromise solution, both sides could accept it.

Secondly, it inhibited the import of Chinese silk and other manufactured goods into the American continental market to a certain extent, thus maintaining the monopoly of Spanish manufactured goods in this market. Since the royal family limited the galleon trade to a fixed quota and took measures to limit the flow of Chinese goods to other American regions except New Spain, the MGT became a controllable trade. Without this legal system, more Chinese goods would have flooded into the American market, and the monopoly of Spanish manufactured goods on the American market would not have been maintained for 250 years.

Thirdly, it suppressed the outflow of precious metals from America to a certain extent. The quota system not only limited the amount of Chinese manufactured goods imported into America but also limited the amount of American silver exported to Asia and China. The royal regulations on the export of precious metals mainly restricted the outflow of precious metals outside the normal trade volume. If there were no such regulations, more silver would flow to Asia or

China. However, under the conditions at the time, the information communication between the sovereign country Spain and the Philippine colony was slow, especially when the royal decree did not meet the wishes of the colonists or violated their private interests, it would often become a dead letter. In the process of implementing the decree, violations were everywhere.

The Spanish colonists were obsessed with the MGT. They relied on the money earned from the monopoly trade to consume Eastern manufactured goods and even food, without any intention to develop local industry and agriculture.

> "This trade was so huge, profitable and easy to manipulate that the Spanish were unwilling to invest in or participate in any other industry. Therefore, they did not consider animal husbandry or agricultural labor. If the trade with the Chinese failed, they would not engage in many other industries that could bring huge profits. From this perspective, the galleon trade was very harmful" [9].

The reality that had to be faced was that for the Spanish in the Philippine Islands, monopoly trade was not a permanent advantage, and short-term speculation would eventually ruin the interests of the long-term development of the Philippines. Monopoly trade limited trade to a fixed scale, and Manila's huge potential to become an Asian trade distribution center was therefore not realized, of all the cities in Asia, Manila was the most suitable natural and economically geographical hub for oriental trade. With Manila as the center, radiating outward, it can reach Japan, China, India, and the long island chain of the Moluccas to the southeast. In terms of distance from major production areas, Manila has the best locational advantage, surpassing Malacca, Macau and Batavia in this respect. However, due to the limitations of the trade monopoly system, coupled with the Filipinos' unwillingness to develop the industry and agriculture of the Philippine Islands, the Philippine Islands could not form a source of local products, and they became only a trade transit station under a limited scale (license and quota system). "Business was underdeveloped, just like agriculture, due to the Acapulco trade, the restrictive system implemented by Spain, the monopoly of Philippine companies, and Spain's policy towards its colonies… All these prevented Manila from becoming the largest oriental trade center" [1]. In the late colonial period, the various drawbacks of the galleon trade monopoly system became increasingly prominent, and the challenges from external forces such as the Netherlands, Britain, and France eventually led to the end of the MGT.

When mankind began to enter the fourth globalization process, the wave of anti-globalization seemed to be coming. We are now facing two difficult choices: to globalize or not to globalize, to cooperate or to compete. The first globalization was rough, cumbersome, and not beautiful. It is such a vivid mirror, silently reminding us of our current real needs and consensus on globalization. "What do we need?" Is global trade with vitality under full and free competition, or monopoly trade under various regulations.

Abbreviations

MG	Manila Galleons
MB	Manila Bay
MGT	Manila Galleon Trade

Author Contributions

Yang Yang is the sole author. The author read and approved the final manuscript.

Funding

This paper is supported by the University of Alicante, Spain, as the part of the Programa Redes-I3CE en Investigación y Docencia Universitaria-6298-Universidad de Alicante.

Conflicts of Interest

The author declares no conflicts of interest.

References

[1] Chang, Na (2015). Two representations of Mediterranean civilization: a new approach to the study of maritime history. Asia-Pacific Security and Maritime Studies, no. 06, pp. 104-111. https://doi.org/10.19780/j.cnki.2096-0484.2015.06.010

[2] Chen, Bingxian (2015). Philippine colonial authorities' China policy (16th-17th centuries). Xiamen: Xia Men University Press.

[3] Chen, Jian (2022). Review of Western maritime history research after World War II. Journal of Maritime History, no. 02, pp. 45-59. https://doi.org/10.16674/j.cnki.cn35-1066/u.2022.02.002

[4] Chen, Jinmei (2024). Chinese cultural thinking under the Manila Galleon Trade. Chinese Cultural Studies, no. 02, pp. 171-180. https://doi.org/10.15990/j.cnki.cn11-3306/g2.2024.02.008

[5] Delgado, L. Á. (2012). Los sangleyes y los problemas de la diversidad cultural en una colonia imperial (Filipinas, siglos XVI-XVIII). Actas De La XI Reunión Científica De La Fundación Española De Historia Moderna: Comunicaciones, vol. 1, tomo 1, pp. 913-924. https://doi.org/10.20350/DIGITALCSIC/14441

[6] Emma Helen Blair and James Alexander Robertson (1903). The Philippine Islands 1493-1898. Cleveland: The Arthur H. Clark Company.

[7] Esquivel, R. M. (2023). La Misión China, el mundo Pacífico y el advenimiento de la modernidad, siglos XVI-XVIII. América Latina y El Caribe - China. Historia, Cultura y Aprendizaje Del chino 2023, pp. 101–120. https://doi.org/10.1080/00253359.2016.1169652

[8] Feng, Zheng (2025). American and European academic circles' understanding of the Digital Silk Road. Yunnan Social Sciences, no. 04, pp. 42-52. https://doi.org/10.16721/j.cnki.cn61-1487/c.2025.04.042

[9] Han Qi, Zhang Yunchen (2021). The establishment and evaluation of the Manila Galleon trade monopoly system. International Sinology, no. 04, pp. 28-43. https://doi.org/10.19326/j.cnki.2095-9257.2021.04.004

[10] Jin, Xiaokang (2019). On the motivation of Spanish colonists to persuade Filipino Chinese to convert to Catholicism. Western Journal, no. 09, pp. 107-109. https://doi.org/10.16721/j.cnki.cn61-1487/c.2019.09.032

[11] Jin, Yingxi and Liu, Dihui (1990). History of the Philippines. Zhengzhou: Henan University Press.

[12] Jose Antonio Cervera(2020). El Galeón de Manila: mercancías, personas e ideas viajando a través del Pacífico (1565-1815). México y la Cuenca del Pacífico, vol. 9, no. 20, pp. 69-90. https://doi.org/10.32870/MYCP.V9I26.677

[13] Li, Fulin and Yu, Zhen (2018). The political impact of galleon trade on the Philippines during the Spanish rule. Journal of Qiqihar University (Philosophy and Social Sciences Edition), no. 07, pp. 61-67. https://doi.org/10.13971/j.cnki.cn23-1435/c.2018.07.018

[14] Liang, Zhiming, Li Mou and Yang, Baoyun (2013). Ancient History of Southeast Asia. Beijing: Peking University Press.

[15] Liu, Ziqiang and Luo Qi (2024). Mercury trade between Latin America and China during the Galleon Trade Period. Journal of Inner Mongolia University for Nationalities (Philosophy and Social Sciences Edition), vol. 50, no. 03, pp. 22-30. https://doi.org/10.14045/j.cnki.nmsx.2024.03.011

[16] Liu, Qingfeng (2019). Modern China in Maritime History: Fujianese Activities and the Responses of Britain and the Qing Dynasty. Journal of Maritime History, no. 03, pp. 123-127. https://doi.org/10.16674/j.cnki.cn35-1066/u.2019.03.010

[17] Long, Donghua and Chen, Lianjun (2023). A study on language planning of Fujian Chinese families in Manila, Philippines. Journal of Minnan Normal University (Philosophy and Social Sciences Edition), no. 04, pp. 62-70. https://doi.org/10.16007/j.cnki.issn2095-7114.2023.04.021

[18] Lü, Junchang (2016). The extension and reconstruction of the relationship between Catholicism and Chinese society in the Spanish Philippines. Southeast Asian Studies, no. 01, pp. 74-93. https://doi.org/10.19561/j.cnki.sas.2016.01.010

[19] Quan, Yi and Lin, Shang (2015). Zhangzhou Yuegang and China's Maritime Silk Road in the Age of Sailing Ships. Journal of Fujian Administration Institute, no. 06, pp. 107-112. https://doi.org/10.19357/j.cnki.35-1295/d.2015.06.017

[20] Sha, Ding, Yang, Dianqiu, Jiao, Zhenheng, and Sun, Guirong (1986). A brief history of relations between China and Latin America. Zhengzhou: Henan People's Publishing House.

[21] Shen, Hongfang (2009). The status and thoughts on the study of overseas Chinese in the Philippines. Southeast Asian Studies, no. 09, pp. 79-85. https://doi.org/10.19561/j.cnki.sas.2009.06.013

[22] Shi, Xueqin (2007). Studies on Philippine Catholicism. Xiamen: Xia Men University Press.

[23] Wang, Lijiao (2025). Research on the dynamic mechanism of population migration and ethnic integration along the Southern Silk Road in Ming and Qing Dynasties. Academic Exploration, vol. 11. no. 11. Pp. 71-89. https://kns-cnki-net.webvpn.synu.edu.cn/kcms/detail/53.1148.C.20250326.1329.006.html

[24] Wang, Zhihong (2017). Missionaries and the Manila Galleon Trade in the Early Modern Period. Southeast Asian Studies, no. 03, pp. 69-110. https://doi.org/10.13848/j.cnki.dnynybjb.2017.03.011

[25] Wang, Zhihong (2019). A review of the research on Spanish Manila from the perspective of maritime history since 2010: Focusing on the research results published by Chinese scholars. Journal of Maritime History, no. 04, pp. 125-142. https://doi.org/10.16674/j.cnki.cn35-1066/u.2019.04.007

[26] Wu, Jiewei (2012). Galleon Trade and Trans-Pacific Cultural Exchange. Qinghai: Kun Lun Publishing House.

[27] Yao, Nan (1991). Collection of Essays on the History of Sino-foreign Relations. Shanghai: Shang Hai Translation Publishing House.

[28] Zhang, Zhenghao and Gong, Lianbing (2025). Cooperative governance of piracy risks on the 21st Century Maritime Silk Road under the Belt and Road Initiative. Southeast Asia, no. 03, pp. 1-12. https://doi.org/10.20226/j.cnki.issn1003-2479.20250616.003

[29] Zhou, Meng. (2020). Impacto cultural de los reales españolas en el sur de Fujian. Revista De Patrimonio Iberoamericano, no. 17, pp. 104–116. https://doi.org/10.30827/QUIROGA.V0I17.0009