THE EUROPEANS DISCOVERY OF XINA

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THE FRIAR'S MISSIONS AND MENDOZA'S BOOK

SUPPLY AND DEMAND

From the very beginning of the 16th century thousands of Chinese objects flowed to the West, especially silks and ceramics. Even before the Portuguese settlement in Macao, porcelain constituted a third of the merchandise carried by the ships coming to Lisbon from India.

But the arrival of the Spanish in the Philippines multiplied the flow of Chinese objects exponentially. The permanent Spanish presence in the Far East Asia brought about the discovery of the return route to America and this transformed the Pacific into a connective route, plied annually by the Manila Galleons.

The Manila Galleon route, also called the Nao of China, was the navigation line that for 250 years connected two colonies controlled by Castile: Mexico, the most important, and the Philippines, the most remote.

The Manila Galleons started direct trade between America and Asia, carrying the riches that both continents required from each other across the Pacific. The route has been called the missing link of globalization.

However, no one in the late 1560s, when a handful of colonists struggled for survival in the poor and remote Philippine islands, could have imagined the role that Manila would assume in the complex web of economic relations between Asia and America.

It all came about through the combination of three elements: the changes introduced in the Chinese monetary system, the American production of silver and the Chinese mode of production.

The first element to take into account is the Chinese monetary system. Around the year 1000, with Song China on the verge of an industrial revolution, the complexity of the empire's economic system led to introduce the first paper money in the world.

With the arrival of the Mongols in the thirteenth century, paper money was also widely used but it entered into an inflationary phase that would persist with the Ming, who came to power in 1368.

In the first two decades of the fifteenth century, the Zheng He expeditions across the Indian Ocean distributed thousands and thousands of these notes, in a failed attempt to create a kind of Chinese common market in the Indian Ocean.

But to no avail.

With the end of the Zheng He expeditions came the end of paper money, and exchanges became limited to the copper coins. The coins were round with a square hole in the center, with a brief inscription on the front mentioning the reign and in some cases a character on the back indicating the center of issue, for example Fu, for Fujian.

But they were not beautiful pieces, as Chinese coins have never been, were easily falsifiable, and the relation between weight and value made them useless for transactions of importance.

The alternative was silver, but China did not have enough of it to support the transactions of its booming economy, and its own mines, at the end of the 15th century, gave unequivocal signs of exhaustion.

During the first half of the 16th century, the newly discovered silver mines in Japan supplied the Chinese market. Silver circulated in small un-minted pieces.

For instance, these were the kind of silver bits that Loarca and Rada received as daily allowance.

But even the Japanese silver was not enough to meet the needs of the burgeoning Chinese market. Things got worse with the tax reform of the single whip, a collective name for a series of reforms that began in the early 1530s and culminated in the late 1570s.

This reform concentrated all taxes and labor services in a single tax, and demanded that it be paid in silver. And, just then, when China began to feel a pressing hunger for silver, the Spaniards settled in Manila. The second element to take into account was the American production of silver.

Once in America the Spaniards encountered not only a continent but also the richest veins of silver worldwide. Furthermore, from 1555 a process of amalgamation with mercury was introduced, through which silver of unbeatable quality was obtained.

Between 1572 and 1592 the mines of Zacatecas in Mexico and of Potosi in Peru, multiplied their production sevenfold, and it is estimated that between 1500 and 1800, Hispanic America produced more than 80% of all the silver in the world.

The Indian fleets that crossed the Atlantic brought most of this silver to Seville: it served to finance the expansion and maintenance of the Spanish empire. But a third of this silver found its way directly to China.

The founding of Manila in 1571 provided the point of contact between two monetary systems based on silver: one, the Mexican system, in which silver was abundant and therefore cheap; the other, the Chinese system, in which silver was scarce and therefore very expensive.

This discrepancy in price was the magnet that drew together the two systems. By 1570, the silver / gold ratio in Mexico was 12:1, while in China it was 4:1; the purchasing power of Mexican silver multiplied threefold when encountering the Chinese market.

China devoured American silver while the Iberian world exclaimed amazed that "Everything is so cheap that they seem to give it for free."

Mexican silver dollars like this one circulated in China in their original form, they were never re-minted, but they were stamped with Chinese characters that certified that a recognized merchant attested it to be genuine.

The third element to take into account is the Chinese mode of production. This is what explains how China's hunger for silver and America's overabundance of it became welded for centuries.

The Chinese mode of production is clearly visible in this image of the ceramic center in Jingdezhen. Its administrative headquarters, multiple kilns, and workers' houses ensured a massive production that could be easily channeled towards the river that encircled the industrial city.

And with assembly lines in use since very ancient times, China was capable of quickly producing and distributing all kinds of goods, whether textiles, ceramics or metal work and could adapt their supply to the demand on a grand scale.

Even before the arrival of the Spaniards there was a long trading tradition between Fujian and the Philippines, as attested by the many 15th and 16th century Chinese pottery shards found in the islands.

And after the founding of Manila in 1571, the Philippines became increasingly important in the commercial networks of the Chinese diaspora. From 1573, trade with the Chinese grew exponentially: that year, the ships dispatched from Manila to Mexico, then called New Spain, took more than 700 pieces of silk and 22,000 porcelains.

They were the first voyages of what would soon be known as the Manila Galleons, and, to the alarm of the Castilian potters and weavers, Chinese products flooded the Mexican and Peruvian markets in exchange for American silver.

Philip II issued many ordinances to reduce or even stop the Manila-Mexico trade, but to no avail: his orders, as the saying went, were obeyed but not complied with.