The Galleon Trade and Its Impact on the Early Modern Philippine Economy*

Dong-Yeob Kim  
Busan University of Foreign Studies

<Abstract>
This study examined the impact of the galleon trade on the changes of the early modern Philippine Economy through assessing three specific elements of merchant capitalism: emergence of the merchant class, changes in the mode of production, and growth of a market economy. It has been argued that the monopolistic practice of the galleon trade undermined the great potential of Manila to be a prosperous entrepôt, and left a minimum impact on the Philippine economy. Contrarily, this study argues that the galleon trade left a significant impact on the early modern Philippine economy in the historical context of merchant capitalism. It caused the influx of traders and artisans to the Philippines, and they became the progenitor of the Philippine merchant class. It changed the pattern of local production from the primitive agricultural one to a capitalist one. It also contributed to the growing market economy in the Philippines by introducing cash transaction. However, the changes did not result in capital accumulation that might lift up the Philippine economy to the next stage of capitalist development. The reason could be found in the economic condition imposed by the colonial environment.

*Key Words: Galleon Trade, Philippine Economy, Early Modern Era, Spanish Colony, Merchant Capitalism

I. Introduction

Due to the geographical position that located in the intersection of the world greatest civilizations, Southeast Asia has been widely exposed to

* This work was supported by the National Research Foundation of Korea(NRF) Grant funded by the Korean Government(MEST)(NRF-2009-362-B00016).
the outer cultural influences, especially Indian Hindu and Buddhist culture and Chinese Confucius tradition. In addition, the advancement of maritime trade in the 15th century brought Islamic culture deep into the cultural tradition of Southeast Asia. Since the 16th century, Europeans have reached out their commercial interest directly to Southeast Asia. Even though Europeans initially came to the region for the purpose of commercial activity, they were not simple traders, but also political entities equipped with military power. With the long period of interaction and the eventual domination of the region Europeans transplanted their cultural elements, specifically modern nation-state system and capitalism, to Southeast Asia.

The Philippines is among the last to receive the major outer cultural influences in Southeast Asia. The reason is simply that the Philippine islands lay beyond the end of the land- and sea-routes travelled by the great cultural traditions. The fact explains the reason why the Philippines is lacking of the ancient great Hindu-Buddhist kingdom unlike other part of Southeast Asia(Benda 1962, 110). The Philippines maintained minimum contact with the outer world until European powers started reshaping the cultural landscape of Southeast Asian region. As one of the European powers, Spain came and colonized the Philippine islands for more than three centuries.

This article aims to examine the Spanish influence on the changes of the early modern Philippine economy, specifically focused on the impact of the Manila-Acapulco Trade, better known as the ‘galleon trade.’ The early modern era came to exist from the late medieval times to the beginning of the industrial revolution, which roughly falls on the 15th to 18th centuries. The historical features of the period include the rise of modern states and the expansion of capitalism. The other notable trends of the era include development of experimental science, shrinkage of relative distances through improvements in transportation and communications, and increasingly rapid technological progress. As the