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# Portuguese Resilience in Global War: Military Motivation and Institutional Adaptation in the Sixteenth- and Seventeenth-Century Cape Route

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Between 1500 and 1600, intercontinental trade might have grown at an annual compound rate of 1.2 per cent.<sup>1</sup> While some enterprises pursued trade through peaceful intercourse, the expansion of global trade was also attained through conflict, violence and recourse to arms, particularly in Euro-Asian trade. Artillery on board merchant vessels was clear evidence that trade and plunder occurred together. Not only was commercial exchange compatible with violence and conflict, but trade ties also prompted far-reaching innovation and adaptation to ensure that commercial ventures remained lucrative. The economic implications of risk of attack or confrontations with opponents led Frederic C. Lane to examine the economic spin-offs of war in protection rents, while Douglass C. North surveyed the consequences of the state's supply of defence to merchant fleets in his pioneering article on factors for productivity growth in merchant shipping.<sup>2</sup> This chapter examines the dynamic between trade and war by explaining how the military competition between Portugal under Habsburg rule (1580–1640) and the Netherlands provoked institutional innovation affecting the financing of commercial voyages to Asia, such that the Portuguese *Carreira da Índia* continued to be profitable even when confronted with determined rivals and falling pepper prices in European markets.

The route around the Cape of Good Hope had been crucial to a global economy since Vasco da Gama's first voyage. Da Gama's exploratory voyage created a direct, maritime connection to Asian markets (the *Carreira da Índia*) and had a remarkable impact on the Portuguese Crown's budgets. More than other intercontinental routes, Euro-Asian trade was defined by fierce, sometimes bloody, competition between those who wanted a share in the profits and those who were being displaced. The Portuguese arrival in India endangered the middleman role played by Italian cities in the early sixteenth century, just as the Dutch- and English-chartered companies jeopardized Portugal's stake in the spice oligopoly in the early seventeenth century.<sup>3</sup>

The military and commercial competition that displaced the Portuguese in Asia is the subject of renowned scholarly work. Neils Steensgaard has compared the Portuguese Estado da Índia, a political organization, with the Dutch and English joint-stock companies. He makes the case that, whereas the Estado da Índia focused on tax collection and on reaping protection rents from local Asian trade routes, the Dutch- and English-chartered companies were profit-seeking enterprises that partook in intra-Asian trade and production regions. Revenues from this latter activity should have been higher than tax collection because it promoted the efficiency of the trade operations of joint-stock enterprises and greater efficiency made it easy to take over the Portuguese position.<sup>4</sup>

Steensgaard's comparison of European organizations operating in Asia tackles crucial issues but overlooks similarities between the Estado da Índia and chartered companies. The Portuguese, English and Dutch all 'exported' political, diplomatic and military apparatus to the Indian Ocean to ensure their supply of non-substitutable commodities to European markets through the Cape Route. Moreover, the argument about the relative inefficiency of the Estado da Índia conceals factors behind the resilience of the Portuguese in the shipment of spices and pepper to Europe, in spite of the military aggression of newcomers.

Some historians have explained Portuguese resilience by emphasizing the changing composition of cargoes after the mark-ups on pepper and spices decreased in the late sixteenth century. James Boyajian discovered merchant networks that integrated Asian enterprises with that of Carreira da Índia in favour of non-monopolized commodities and contributed to the rise of fiscal income at Lisbon's Casa da Índia customs house. Private capital was mainly invested in textiles, indigo, diamonds and pearls when competition between the Estado da Índia and North European chartered companies was already fierce.<sup>5</sup> Om Prakash's discussion of cargo values should not be neglected. But both Boyajian and Prakash looked at features of Portuguese Asian trade that highlighted the ability of the Portuguese system to exploit economic opportunities other than tributes on local communities confined to Asian port cities.<sup>6</sup>

The Cape Route and the Estado da Índia weathered the changes in cargo because they were adaptable institutional structures. Indeed, new tradable commodities might be significant in explaining Portuguese resilience if they were more profitable than spices and contributed to increasing tax collection in the kingdom. Still, this supposition leaves important questions unanswered. If richer cargo justified trade with Asia, then why and how did the Portuguese continue to import pepper? We might argue that in an oligopoly equilibrium the profitability of pepper and spices depended on being able to supply European markets with ever growing quantities.<sup>7</sup> If that was the case, then transporting a greater volume becomes the key: this is a main issue examined in this chapter. Regardless of the cargo, someone had to supply transportation. Thus shipbuilding