The diversification of Portugal’s commercial relations in the late eighteenth century: between discourse and praxis.

Miguel Dantas da Cruz

Abstract

The diversification of trading partners marked the context of Portugal’s economic relations with the outside world in the late eighteenth and nineteenth centuries. This had also been a frequent argument put forward in the organized discourse of Portuguese economic thought throughout the eighteenth century. Without claiming to be exhaustive, this article examines the testimonies of some of the eighteenth-century authors who reflected at greater length on the advantages of diversifying trading partners. After this, an analysis is made of some of the more distinctive manifestations of this experience, essentially related to the marked changes that took place in the shipping sector and the readjustments in the economic importance of trading partners.

Keywords

diversification of trading partners, foreign trade, shipping, economic thought, port of Lisbon, Baltic.

Resumo

A diversificação de parceiros comerciais marcou o quadro das relações económicas de Portugal com o exterior no final de Setecentos e princípios de Oitocentos. Esse havia sido também um argumento frequente no discurso organizado do pensamento económico português ao longo do século 18. Sem pretender ser exaustivo, o texto aborda os testemunhos de alguns dos autores setecentistas que reflectiram mais longamente sobre as vantagens da diversificação de parceiros. De seguida são exploradas as manifestações mais distintivas desta experiência de diversificação, essencialmente relacionadas com mudanças pronunciadas no sector da navegação e com reajustamentos no peso económico dos parceiros.

Palavras-chave

Diversificação de parceiros comerciais, comércio externo, navegação, pensamento económico, porto de Lisboa, Báltico.

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1. Introduction

As a recurring proposal in Portuguese economic discourse throughout the eighteenth century, the diversification of trading partners was finally brought to fruition in the last quarter of that same century, when it became one of the most prominent aspects of the changes being introduced into Portugal’s economic relations with the outside world. This study examines these two sides of the question: first, the successive reformulations of this proposal made by eighteenth-century opinion and policy-makers, and then the terms under which this diversification took place (its results).

If only in an indirect way, the first aspect has received more attention from the academic community. In fact, the greater or lesser sensitivity of eighteenth-century discourse to the diversification of partners has been explored by historians primarily interested in the history of Portuguese economic thought, like Jorge Borges de Macedo (1971), Armando Castro (1979) or José Luís Cardoso (1989). Although, we should emphasize, the subject was not the main focus of their research.

In this respect, even though other studies might also justify a similar mention, attention is drawn here in particular to the introductory texts that accompanied the recovery and publication of the historical works of authors such as José da Silva Lisboa, Domingos Vandelli and José Azeredo Coutinho. Since the integration of Portugal into European trading circuits was a recurring theme in these contemporary works, historians responsible for the various editions—in the above-mentioned cases António Almodovar (1993), José Vicente Serrão (1994) and Jorge Miguel Pedreira (1992), respectively—could gauge with some detail the different degrees of enthusiasm with which the idea of geographical diversification of trade was received.

Notwithstanding these contributions, there are a number of important questions that still remain to be asked. For example, we do not know to what extent the geographical diversification of trade corresponded to a hostile reaction to the British hegemony.

Historiography has been far less prolific in what concerns the particularities of the actual transformation that took place in the framework of the Portuguese economic relations at the end of the eighteenth century (i.e., the diversification of trading partners). Mention must be made, however, of some important contributions that explored (at least to some degree) the quantitative aspects of the geographical diversification of Portugal’s commercial relations.
Rómulo de Carvalho’s study of Portugal’s relations with Russia in the eighteenth century (Carvalho 1979) has the merit of being one of the first works to specifically examine Lisbon’s contacts with European capitals other than London, Paris or Madrid. Despite its wide-ranging approach (that goes beyond the economic issues), Rómulo de Carvalho’s study presents an interesting and detailed analysis of Portugal’s shipping and foreign trade with the empire of the Czars. Based on the number of ships involved in the export and import trade, the author shows that the balance of trade was extremely unfavorable to Portugal (Carvalho 1979, 218-224). Some years later, the economic relationship between Russia and Portugal was once again subject to a study; in this case, a brief essay about the fruitless Baltic adventures of the Companhia Geral da Agricultura dos Vinhos do Alto Douro (Sá and Pereira 1990).

The unpublished dissertations by Jorge Martins Ribeiro (1997), about Portuguese-American relations (between 1776 and 1822), and António Jorge Afonso (1998), about Portugal’s relations with the Maghreb at the end of the Ancien Regime, provide some excellent indications about the kind of trade taking place at that time between Portugal proper and those territories. In the latter case, the author linked diplomacy with the economic activity undertaken by commercial agents such as Leonardo Pinheiro de Vasconcelos, who became the great protagonist (if not in fact a monopolist) in the importation of Moroccan grain to Lisbon.

More recently, a brief study by Leonor Freire da Costa has highlighted the importance of this diversification, stating that it represented the “hallmark” of Portugal’s foreign relations in the last quarter of the eighteenth century (Costa 2005, 275). However, in global terms, this change has not yet received the attention it deserves. There has been a lack of more systematic research, seeking, for example, to map the connections between ports, of which little is known, as Leonor Freire da Costa stressed (Costa 2005, 268). It should be noted that the most important work on the evolution of maritime transport at the port of Lisbon, at the turn of the eighteenth to the nineteenth century, is almost exclusively based on information compiled about Portuguese-Brazilian shipping (Frutuoso, et al. 2001).

This article addresses the subject of the diversification of Portugal’s commercial relations, exploring it in its dual dimension. It is consequently organized into two sections. First, an attempt is made to show the way in which the question of the diversification of trading partners permeated Portuguese economic thought, highlighting what seems to have been a broad consensus built up around an argument that was frequently presented as an
indispensable condition for the development of Portugal’s foreign trade. Second, relying on data about the Lisbon trade (the most important port in the kingdom and therefore the one chosen for this study) and data about navigation to the Baltic, at the turn of the eighteenth to the nineteenth century, an attempt is made to identify some of the main characteristics of the transformation that actually took place in the framework of Portuguese economic relations with Europe. As far as this transformation is concerned, and besides the expected readjustments introduced in the economic weight of different international partners, there clearly seems to have been a pronounced multiplication of agents involved in shipping lanes linking Lisbon to other European ports.

2. Diversification of trading partners as an option for Portuguese foreign trade

“I remember a Portuguese brigantine being apprehended in London, whose captain made me laugh when he very seriously told me that, after being in London, he did not know the winds, but that on the Brazil route no other pilot could get ahead of him” (Cunha 2001, 310). The subtle irony of Dom Luís da Cunha clearly summarizes the diplomat’s global approach to the problems that affected foreign trade and, above all, shipping in Portugal, which at that time was exclusively directed towards the South Atlantic. His opposition to the basic premises of the Treaty of Methuen (the exchange of cloth for wine) is widely known, since he was among the first to denounce the negative effects of this agreement. But his criticism extended to other aspects of the Anglo-Portuguese relationship. For the senior ambassador, there was a clear lack of reciprocity arising from the English Navigation Acts. In practice, these were a series of laws decreed in England and implemented since the time of Cromwell’s Protectorate as a way of restricting the use of foreign shipping and stimulating the British transport sector. In the case of Anglo-Portuguese trade, these laws dictated that colonial Portuguese goods could only be transported to Great Britain on board British ships. Such a limitation even led Dom Luís da Cunha to state ironically that London was acting “as if Brazil [belonged] to another power” (MNE, Liv. n° 776, fl. 4).

Given England’s privileged status within the context of Portuguese foreign trade (Fisher 1984 [1971]; Macedo 1954; 1982a [1963]; 1989), this restriction led to a severe lack of knowledge of the routes, seas and ports, of Great Britain and continental Europe alike, with damaging effects in terms of the insurance premiums demanded of Portuguese traders.
and ship owners. It also affected other transaction costs. Furthermore, the greater the lack of knowledge of shipping in European waters, the less likely it was that they would be able to compete with the British, French and Dutch on an equal footing. For the diplomat, therefore, there was a kind of vicious circle that could only be broken by reducing the British hegemony over foreign trade in Portugal. The asymmetrical nature of the Anglo-Portuguese trading relationship, and the losses that Dom Luís da Cunha associated with it, could only be overcome by diversifying trading partners and by searching for new markets that would (hopefully) be free from those kinds of restrictions. Hence, he recommended the creation of a large company that would transport “to the north our wines, sugar, tobacco, etc.” (Cunha 2001, 310). In his opinion, the financial fragility of Portuguese traders, about which he had no illusions, could be offset by the return of the Jews, who “would put [their] wealth, and, what is more, their industriousness into the company” (Cunha 2001, 324-325).

Some years before Dom Luís began to work on his famous Instruções Políticas (1736), an important asentista (contractor) trading in Lisbon, by the name of Estêvão Álvares Bandeira, wrote two essays in which he defended the development of Portuguese trade in the Baltic region. These documents were addressed to Czar Peter the Great and the Duke of Cadaval and significantly referred to the formation of a trading company, which would have its headquarters in Setúbal (Costa 2005, 275-276).

In the arguments of the senior ambassador it is very clear that the much-coveted geographical diversification of trade conveyed the intention to restrict the role of intermediaries, namely the British or Dutch transport agents. Given Dom Luís da Cunha’s mercantilist way of thinking, the development of national shipping was one of his most central concerns, which was why he wanted the projected company to have its own fleet (Cunha 2001, 310). In fact, he himself affirmed this when he stated that “all would result in an increase in our shipping (and a growth in the number of sailors), because we are in fact ignoring the [shipping] in the North” (Cunha 2001, 310).

It should be noted, however, that Dom Luís da Cunha did not wish to politically alienate London. Above all, he wanted to rectify the negative effects of a very unbalanced trading relationship, including the repercussions of the Methuen Treaty (Sampaio 1928 and Cardoso 2003). In view of the geographical dispersal of the Portuguese overseas territories, the ambassador couldn’t help being sensitive to the advantages offered by the support of the Royal Navy; an understanding that he continued to nurture despite the suspicions that he had formed in relation to British loyalty.
Just like Dom Luís da Cunha, Sebastião de Carvalho e Melo also was very hostile to the British hegemony and, as a result, he tried to undermine it. However, once again, it was a question of overcoming the more negative effects of the trading relationship without jeopardizing the political alliance.

The notion that the Marquis of Pombal was a staunch enemy of the British has been questioned for several decades. Borges de Macedo, for example, demonstrated that the activity of Dom José I’s minister was mainly aimed at solving economic problems that might be considered internal matters. This was certainly the case with the creation of the Companhia Geral da Agricultura dos Vinhos do Alto Douro (General Company for Wine-Culture in the Upper Douro), designed to reorganize the country’s wine production for the benefit of the Douro region (Macedo 1982 [1951], 58 and ff.). It does, however, seem undeniable that Carvalho e Melo sought to restrict the wide-ranging hegemony of the British over the monarchy’s foreign trade and shipping. In fact, authors such as Kenneth Maxwell, José Vicente Serrão or Jorge Pedreira consider that his economic policy amounted to an attempt to nationalize the vital sectors of the economy (Maxwell 1968; Serrão 1987, 62; and Pedreira 1994, 274-275).

The formation of the Grão Pará and Maranhão and the Pernambuco and Paraíba companies, in 1755 and 1759 respectively, was in fact regarded as a very serious threat by the British community (Maxwell 1968, 626). It was feared that the new companies would install agents in every British city, altering “the circulation and channel of trade from the hands of British subjects to the Portuguese”. Rather unsurprisingly, navigation was the main preoccupation of British traders, who claimed: “Such an alternative will be extremely hurtful to our navigation, the trade being entirely carried on by the Portuguese” (Maxwell 1968, 626).

These fears were not entirely unjustified. As a mercantilist, Carvalho e Melo fiercely disputed an economic dynamic that excluded Portuguese ship owners and merchants from the bulk of the Anglo-Portuguese trade. Furthermore, as an envoy to London (1738-1745), the future Marquis of Pombal even recommended raising obstacles to the extraction of certain metropolitan products by the British (Pombal 1986, 117).

The reduction in British demand, resulting from the possible retaliation to an economic policy that displeased London, did not worry the plenipotentiary minister. Other “northern nations” would take the place of the British as Portugal’s main commercial partners because, according to Carvalho e Melo himself, “they are extremely keen to take part in our trade” (Pombal 1986, 83).
This testimony of the man who was to become the most important Portuguese statesman of the eighteenth century is not far removed from the argument put forward by Dom Luís da Cunha. For both of them, the coveted geographical diversification of external trade was directly linked to a necessary readjustment that needed to be introduced in the lopsided Anglo-Portuguese economic relationship.

In the last quarter of the eighteenth century, the geographical diversification of kingdom’s commercial relations remained a commonly shared ambition, sometimes continuing to be proposed as a way of liberating the kingdom from the British economic influence. This was certainly the case with Domingos Vandelli. The approach of this Portuguese-Italian, hired by Pombal in 1764, displayed some surprising hints of an almost anti-British radicalism. In fact, he denounced the alliance as a whole, even claiming that “these arrogant Englishmen” were becoming rich at the expense of the monarchy’s wealth, leaving it like a “corpse” (ANRJ, Liv. 28, fl. 77). The international crisis of 1797 was an opportunity not to be wasted. Lisbon ought to break away from London and join the French Directory, compensating for the resulting lack of economic complementarity with the diversification of the number of clients for Portuguese products (ANRJ, Liv. 28, fl. 102). Vandelli had no doubt that salt would find alternative markets in Northern Europe or that wine could expand into America, Holland or Russia (Vandelli 1994, 341-344). It is therefore not surprising that at around this same time he proposed the signing of a trade agreement with the United States (Vandelli 1994, 306).

Even though the radical testimony of the Portuguese-Italian scholar represented a less common stance, the need for a geographical diversification of foreign trade was generally agreed upon amongst the Lisbon court of Dom João VI, which, at that time, was politically split between those who supported an approach to Paris and those who favored the traditional British alliance (Alexandre 1993, 97-164; Costa and Pedreira 2006, 71-83, 86-105; Amaral 2010, 9-31). In regard to this particular aspect, it is important to stress that the two currents of opinion—namely the Francophile and the Anglophile approaches—were equally sensitive to the strengthening of economic links with other European states. The diversification of trading partners suffered no visible repercussions from this political rupture, which was essentially caused by different approaches to Portugal’s diplomatic position. It was, therefore, a matter of general agreement in a period that was marked by a lack of convergence and by political conflict.

Luís Pinto de Sousa, for example, who has been identified historically as belonging to the pro-British faction, showed a clear concern with the expansion of Portuguese trade
into other markets, even when such a strategy would certainly upset British economic interests. In 1779, the future Viscount of Balsemão recommended the establishment of a trade agreement with Russia. The moment seemed appropriate, since the international destabilization caused by the American War of Independence had brought difficulties for the marketing and sale of the traditionally competing products, such as French wine. Around this time, Luís Pinto de Sousa stated:

Portugal has many powerful reasons for establishing its own system of this kind with Russia, and for grasping the opportunity offered by the same disturbances in Europe. [...] The situation in which most European traders find themselves—in the midst of a war that renders the more powerful nations incapable of energetically opposing the designs planned under so many different auspices—is such that it is possible to establish a Trade Treaty with Russia, with there being so much that can be taken advantage of with time and the opportunity of the moment. (BNL-FG, cód. 254, II, § 17)

This expansion of Portuguese trade, especially if it was supported by a Portuguese merchant navy active in the northern seas, would make it possible to acquire better quality products at lower prices. The plenipotentiary minister in London stated that there was not “the slightest doubt that all those [products]” that were traded in the “markets of Spain and Portugal” were “the rubbish of the North” (BNL-FG, cód. 254, II, § 17). The same argument was put forward by one of the leading figures on the pro-French side, António de Araújo e Azevedo, while serving as ambassador in St. Petersburg (1802-1803). The future Count of Barca understood the advantages that could be enjoyed through direct access to the Baltic region’s important resources and reported these to Lisbon. In times of war a parsimonious access to the Baltic commerce was pivotal, mainly due to the military application of their products (linen, hemp, tar, pitch, iron, timber). The Francophile António de Araújo stated that it would be “essential for the Portuguese Nation to take full advantage of its trade with the Northern Powers [...] in order to supply the Portuguese Royal Navy with what it needs at less expense” (Pintassilgo 1987, 337).

Dom Rodrigo de Sousa Coutinho, archrival of António de Araújo in matters of diplomatic orientation (Gouvea 1820), shared the same ideas about the geographical diversification of Portugal’s commercial relations. As José Luís Cardoso mentioned, his writings displayed “undeniable elements of a desire to blow the sails of Portuguese foreign
trade in a different direction” (Cardoso 1989, 138). While serving as ambassador in Turin (1778-1791), he was particularly sensitive to the importance of economic links with the Italian states and with the Mediterranean in general; links that he sought to strengthen and reform. In fact, commercial contacts with the Italian peninsula were already intense, but, to his great displeasure, much of the profit was lost in the costs of transport, which was almost always carried out by ships from different countries (Coutinho 1993, I, 103). It was, therefore, essential to set up a form of commerce in which business was conducted by Portuguese traders and goods were transported by the Portuguese merchant navy.

However, the fulfillment of this plan was prevented by certain obstacles, essentially related to the apparent lack of enthusiasm displayed by Portuguese traders and ship owners, about whom Dom Rodrigo had no illusions. On the one hand, there remained some doubts about their capacity to adapt to the competition from European markets. On the other hand, there was Brazil, which because of its trade monopoly continued to exercise an overwhelming power of attraction. Why should a merchant risk his capital in highly competitive European markets when Brazil guaranteed him “considerable profits with little work?” (Anonymous [Coutinho] 1987, 286).

The development of Portuguese trade at Italian ports therefore depended on the Crown’s support, something that Dom Rodrigo was well aware of. Thus, in his well-known essay about trade in Italy, he defended the expansion of the consular network and the ratification of treaties, in order to ensure the protection of traders (Coutinho 1993, I, 103-104). It is important to note that Italy and the whole of the Mediterranean region would continue to capture the careful attention of the Count of Linhares. In 1809, when he was already in Rio de Janeiro, Dom Rodrigo insisted on strengthening the expansion of the consular network to other markets in the region, where Portuguese-Brazilian trade, now established in the best and most important part of the monarchy, continued to have ideal conditions for growth (MNE, Liv. 611, fls. 20-21).

The need to ratify new international treaties was not entirely unheard-of. In fact, diplomats had been complaining about it since the mid-eighteenth century. They stressed the unfavorable legal framework, which raised insurmountable obstacles to the expansion of Portuguese foreign trade, or, at least, a trade that was conducted by Portuguese merchants. When he was in the Hague (1789-1802), serving as an extraordinary envoy, António de Araújo repeatedly related the limited numbers of Portuguese merchants in Dutch ports with the Portuguese-Dutch treaties signed in 1669 and in 1705, “extorted [in his opinion] under conditions of weakness and dependence” (Pintassilgo 1987, 312). He
therefore suggested the renegotiation of the treaties, taking advantage of the Dutch weakness at that time, due to its political submission to Paris.

Apparently, discriminatory taxes also served to discourage Portuguese ships from traveling to certain regions of Europe. This was the case with the toll levied on ships heading for the Baltic Sea and passing through the Sound. Between 1801 and 1807, the chargé d'affaires in Copenhagen, João Rademaker, never stopped drawing attention to the perverse effects of the selective nature of the tolls levied on those passing through these straits. According to Rademaker, when entering the Baltic Sea, goods that were transported on Portuguese vessels paid 25% more than if they were transported on British vessels. This was why he repeatedly insisted on the need to “equalize the Portuguese flag with the British one in the passage through the Sound” (MNE, Cx. 548, ofício 269). In the meantime and as an alternative, he proposed establishing a direct shipping lane between Portugal and the port of Helsingor, which stood at the entrance to the Baltic, and where a warehouse was to be established. Portuguese goods could then be redistributed from there throughout the entire Baltic region.

It should be emphasized that the various forms of promoting Portuguese foreign trade were naturally connected with what each author considered more relevant. For example, Manuel Joaquim Rebelo, a trader from Lisbon, was one of those who more visibly interrelated the success of foreign trade and the development of shipping. According to the author of *Economia Política feita em 1795*:

> The advantages of foreign trade mainly depend on the ability of the navigation business, for this expense is greatly influenced by the greater or lesser cost of goods, both for purchase and for sale; which makes it obvious how much maritime trade deserves to be aided and protected. (M.J.R. [Rebelo] 1992, 57)

As we have shown, defending the use of national ships for conducting Portuguese foreign trade was subject to careful reflection on the part of Dom Luís da Cunha, who associated the British hegemony with the difficulties faced by Portuguese trade and navigation. In 1795, Manuel Joaquim Rebelo considered this to be fundamental. Furthermore, when he took part in the debate surrounding the official establishment of a Free Port in Lisbon, he said that this would only be justified if it made it possible to strengthen the national shipbuilding capacity. He further added that a carefully designed
fiscal policy would make it feasible to set up an “Italian route” dominated by Portuguese ship owners (M.J.R. [Rebelo] 1992, 132).

As far as the international positioning of the Portuguese economy is concerned, the testimonies produced by Portuguese-Brazilian scholars were marked by their more or less openly pro-British stance. Unlike other authors, Joaquim José de Azeredo Coutinho and José da Silva Lisboa did not consider the British role as protagonists to have pernicious effects. And they certainly did not see the diversification of trading partners as a way of freeing Portuguese foreign trade from a possible British oppression; an idea with which, in fact, they openly disagreed.

For Silva Lisboa, England could never be held responsible for the state of Portuguese trade and the Portuguese navy. The causes for the decline were primarily internal ones and had to do with the lack of dynamism exhibited by the merchant class: “If we did not conduct trade in a more active and extensive fashion, if we did not have more ample and direct agencies in foreign markets, and if our capital and credit did not grow higher, we can only attribute this situation to our own indifference and our negligence with regard to the resources that help nations to develop” (Lisboa 1993 [1808], I, 208). It was negligence, and not the British, that had impeded the formation of an active merchant navy and had made it impossible to set up trading companies in foreign markets. In Silva Lisboa’s opinion, in the trade taking place in Portugal, the British traders were merely taking their fair share, just as did all the others (Lisboa 1993 [1808], I, 204).

Regarding Azeredo Coutinho’s arguments, we can say that he stressed the mutual advantages of the Anglo-Portuguese economic relationship. At the same time, he emphasized the importance of political alliance, which was essential in times of war. In his 1794 *Ensaio Económico sobre o comércio de Portugal e suas colónias*, he wrote:

> Of all the European powers, England is the one whose friendship Portugal must seek most to preserve; not only because of the great interests of the trade that the two nations carry out between themselves; but also because of the prompt and efficient help that Portugal can always expect from England.” (Coutinho 1992 [1794], 113)

However, the Bishop of Olinda considered the British market to be unable (or unwilling) to absorb all Portuguese exports, especially its colonial products. And it was within the context of this incapacity that Azeredo Coutinho defended the geographical
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In order to enhance trade with other partners, he proposed a strategy based on the use of less restrictive import tariffs, “deliberately leaving the door open to allow the entry of industrial nations keen to trade with us” (Coutinho 1992 [1794], 107).

Silva Lisboa, on the other hand, argued in a fairly unique way that the desired diversification of partners should be linked to a strengthening of the trading alliance with the British. Although he defended the same objective (diversification of commercial partners), his testimony was certainly at-odds with arguments that saw the diversification of Portugal’s commercial relations as a way of escaping from the British hegemony. For the future Viscount of Cairú, it was merely a question of following the leader of the world’s economic relations, in order to enjoy the advantages that came from this (Cardoso 2010, 57). It would therefore be possible to enter into trade with all the states touched by the long tentacles of the international trade promoted by London (Lisboa 1993 [1808], I, 216-222).

3. Economic changes at the turn of the eighteenth to the nineteenth century

As Fisher noted, the long period of expansion of Anglo-Portuguese trade came to an end in the third quarter of the eighteenth century (Fisher 1984 [1971], 68-80). Portugal’s foreign relations embarked upon a new phase whose dynamics were further accentuated at the end of that century, being marked by the highly coveted geographical diversification of trade. The general direction of this new phase is well known by the academic community, although there still remains a need for carrying out more in-depth studies into the most notable specificities of this transformation. An attempt will be made in the following pages to identify these particular features, while at the same time examining some of the less noted aspects of the decline in the British share of Portugal’s foreign trade.

3.1. Diversification of trading partners

Table A shows the evolution in percentage terms of the transactions made between Portugal and some of its more active partners in the last quarter of the eighteenth century: Denmark, United States of America, Prussia, Russia and Sweden. Unfortunately, the lack of data of a similar quality for the previous decades makes it unfeasible to attempt any more
definitive diagnoses and prevents us from making a more effective long-term comparison. This is, in fact, a problem that affects most studies that attempt to explore the structure of eighteenth-century Portuguese foreign trade prior to the introduction of the Trade Balances in the mid-1770s. For the previous period, our knowledge is mainly a result of the research that Fisher (1984 [1971]) and Labourdette (1988) carried out.

The values of exports and imports which inevitably reflect the military upheavals of the period do, however, seem to confirm a general trend towards growth. The overall volume of trade with these states greatly increased during this period, and, in certain cases, by as much as sixfold. In fact, in the last quarter of the eighteenth century, it was not uncommon for the Baltic countries and the United States of America to account for more than 20% of Portugal’s purchases abroad. In 1801, that value was more than 30%. During the same period, Russia alone was responsible for an average of 11% of all Portuguese imports. In strictly commercial terms, it can be said that Denmark was the only relatively insignificant partner in the group analyzed. As I shall attempt to show, its role was of another kind.

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<td>12.877</td>
<td>4.091</td>
<td>5.204</td>
<td>0.214</td>
<td>14.550</td>
<td>0.768</td>
<td>2.149</td>
</tr>
<tr>
<td>1802</td>
<td>0.456</td>
<td>0.216</td>
<td>1.875</td>
<td>4.908</td>
<td>0.309</td>
<td>3.901</td>
<td>0.971</td>
<td>11.290</td>
<td>0.816</td>
<td>4.397</td>
</tr>
<tr>
<td>1803</td>
<td>0.521</td>
<td>0.087</td>
<td>2.459</td>
<td>8.138</td>
<td>1.473</td>
<td>3.220</td>
<td>0.803</td>
<td>11.261</td>
<td>0.646</td>
<td>4.666</td>
</tr>
<tr>
<td>1804</td>
<td>1.055</td>
<td>1.550</td>
<td>1.589</td>
<td>7.901</td>
<td>0.389</td>
<td>9.765</td>
<td>1.533</td>
<td>9.161</td>
<td>0.629</td>
<td>3.475</td>
</tr>
<tr>
<td>1805</td>
<td>0.345</td>
<td>0.381</td>
<td>3.647</td>
<td>2.146</td>
<td>1.338</td>
<td>6.120</td>
<td>1.417</td>
<td>13.967</td>
<td>1.194</td>
<td>4.733</td>
</tr>
<tr>
<td>1806</td>
<td>0.232</td>
<td>1.009</td>
<td>1.971</td>
<td>5.571</td>
<td>0.032</td>
<td>0.406</td>
<td>1.362</td>
<td>14.507</td>
<td>0.546</td>
<td>2.807</td>
</tr>
</tbody>
</table>


The rise in the demand for Baltic products is explained in the light of its great strategic importance. At the end of the eighteenth century, despite the appearance of American alternatives, the timber, iron, hemp and tar traded on European markets continued to originate mainly from the Baltic region. All these products were heavily consumed in
Portugal, which in this same period also began to import the grain production of the Prussian territories, through the port of Danzig. Prussia became the main supplier of grain, in this way replacing Great Britain, which previously exported to Portugal 1/5 of its annual production (periods of 1721-1727 and 1744-1763; Fisher 1984 [1971], 184).

Table B, which shows the cargo imported from the Baltic region and the number of vessels involved, highlights the clear importance of this trade, although it did, however, result in highly negative trade balances for Portugal. In fact, there was not one single year when Portuguese exports to the Baltic, dominated by goods produced in the kingdom itself, exceeded imports.

<table>
<thead>
<tr>
<th>Products</th>
<th>1797</th>
<th>1798</th>
<th>1799</th>
<th>1800</th>
<th>1801</th>
<th>1802</th>
<th>1803</th>
<th>1804</th>
<th>1805</th>
<th>1806</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grain</td>
<td>112</td>
<td>126</td>
<td>95</td>
<td>56</td>
<td>134</td>
<td>95</td>
<td>115</td>
<td>205</td>
<td>143</td>
<td>26</td>
</tr>
<tr>
<td>Linen</td>
<td>60</td>
<td>60</td>
<td>37</td>
<td>40</td>
<td>31</td>
<td>54</td>
<td>56</td>
<td>59</td>
<td>48</td>
<td>43</td>
</tr>
<tr>
<td>Iron</td>
<td>45</td>
<td>37</td>
<td>37</td>
<td>46</td>
<td>22</td>
<td>60</td>
<td>53</td>
<td>54</td>
<td>53</td>
<td>42</td>
</tr>
<tr>
<td>Timber</td>
<td>29</td>
<td>17</td>
<td>11</td>
<td>35</td>
<td>8</td>
<td>16</td>
<td>15</td>
<td>29</td>
<td>8</td>
<td>23</td>
</tr>
</tbody>
</table>

Source: ANTT, MNE, Cx. 547, Maço 1799, ofícios 12, 45, 27, 69, 115, 149, 186, 217, 247, 281.

Together with this increased trade with the Baltic, economic relations were consolidated with Hamburg, and with Italian ports; these were areas where Portuguese trade had long been present, and with which Portugal enjoyed a trade surplus.

The experience of the last quarter of the eighteenth century therefore included a readjustment in the economic importance of foreign relations, with repercussions in the amount of business made with partners who traditionally enjoyed varying degrees of involvement in Portuguese trade.

However, other transformations took place, specifically related with the country’s international port connections, which experienced a marked multiplication in the number of agents. In fact the transformation of the maritime transport sector was perhaps one of the most interesting aspects of the diversification of trading partners in the period under study. Contrary to what had happened throughout the eighteenth century, at the turn of the eighteenth to the nineteenth century, Portuguese trade with Italy, France, Germany and the Baltic began to be mainly provided by Swedish, Danish and American captains and masters. It is clear that by performing such a role they replaced British ship owners and became essential partners in Portugal’s foreign trade.
Tables C and D illustrate the importance of Swedish and Danish shipping, with vessels from these countries entering the port of Lisbon having set sail from Scandinavia, Prussia, Great Britain, France, Holland, Italy, North Africa and even from other Portuguese ports.

| Table C—Main origins of Swedish vessels entering the port of Lisbon (in %) |
|-----------------|----------------|----------------|----------------|
|                 | 1795 | 1798 | 1801 | 1804 |
| Prussia         | 24   | 20   | 25   | 25   |
| Sweden          | 22   | 15   | 15   | 17   |
| France and Holland | 18   | 14   | 15   | 15   |
| Great Britain   | 11   | 10   | 13   | 8    |
| Portugal and the Islands | 10   | 9    | 16   | 7    |
| United States   | 5    | 6    | 5    | 7    |
| Spain           | 3    | 5    | 4    | 3    |

Source: BCM-AH, Cxs. 240 and 241, Maços 1795, 1798, 1801 and 1804

| Table D—Main origins of Danish vessels entering the port of Lisbon (in %) |
|-----------------|----------------|----------------|----------------|
|                 | 1795 | 1798 | 1801 | 1804 |
| Holland and France | 30   | 16   | 25   | 37   |
| Great Britain    | 20   | 16   | 16   | 14   |
| Russia           | 12   | 12   | 14   | 13   |
| Portugal and the Azores | 11   | 12   | 13   | 7    |
| Spain            | 6    | 7    | 7    | 7    |
| Prussia          | 6    | 6    | 7    | 7    |
| Italy and Austria | 5    | 6    | 6    | 3    |
| Portugal *       | 6    | 5    | 2    | 2    |

Source: BCM-AH, Cxs. 240 and 241, Maços 1795, 1798, 1801 and 1804

Emphasis should be placed not on the number of vessels involved in port traffic, for the volume of British ships remained unattainable, but rather on the multilateral nature of the trade carried out by these agents, who took full advantage of the decline of the British share in the shipping trade. This seems to have been the case with Portuguese-Italian trade,
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which previously had been dominated by British ship owners and was now largely in the hands of Scandinavian shipping. For example, in 1795, 57 of the 94 ships sailing from the port of Lisbon and heading for Italy were Scandinavian (BCM-AH, Cx. 240, Maço 1795). The same situation was to be found at the port of Danzig, where Swedish and Danish captains transported most of the cargoes of wheat destined for the Portuguese capital (Table E).

<table>
<thead>
<tr>
<th>Year</th>
<th>Danish</th>
<th>Swedish</th>
<th>Prussian</th>
<th>American</th>
<th>Hamburg</th>
<th>Other German vessels</th>
</tr>
</thead>
<tbody>
<tr>
<td>1795</td>
<td>1</td>
<td>9</td>
<td>9</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1798</td>
<td>16</td>
<td>1</td>
<td>6</td>
<td>1</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>1801</td>
<td>16</td>
<td>6</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1804</td>
<td>43</td>
<td>24</td>
<td>5</td>
<td>2</td>
<td>1</td>
<td></td>
</tr>
</tbody>
</table>

Source: BCM-AH, Cxs. 240 and 241, Maços 1795, 1798, 1801 and 1804

What is the explanation for the intense activity developed by the Swedish, Danish, North American or Prussian merchant navies in Portugal's foreign trade? What transformed these agents into the great protagonists of Portuguese transit trade at the turn of the eighteenth to the nineteenth century?

Their neutral positioning in relation to the military conflicts of that time appears to be the only explanation that applies to all of these countries. From the outset, all those who managed to remain neutral found that their trade and shipping business were made much easier, something which happened at different moments to Swedes, Danes, North Americans or Prussians. It is, however, important to remember that neutrality had a certain ambiguity. The British and the French tended to interpret the condition of being neutral in the light of their own interests (Heckscher 2006 [1922], 35 and 46).

Another explanation has to do with the decline of Holland, which meanwhile had lost control of the salt/wheat circuit (characteristic features of Portugal's integration into the trading circuits of Northern Europe; Costa 2005, 275). Also important were the legal mechanisms through which international economic relations were defined and redefined. For example, according to Hans Johansen, the implementation of the Swedish Navigation Act, decreed in 1724, explains the subsequent development of the merchant navy of that Scandinavian country (Johansen 1992, 483 and ff.). In the same way that the Portuguese-Danish Treaty, ratified during the administration of Carvalho e Melo (1766), helps to explain the resolute presence of Danish captains and masters at the port of Lisbon. In relation to this question, it is important to recall that the Marquis of Pombal’s plan to
nationalize the vital sectors of the Portuguese economy, and which was designed to restrict
the leading role played by British traders, greatly contributed to the future diversification of
trading partners. This was even noted by the famous French general, Dumouriez, when he
commented on Pombal’s economic policy:

This Minister has also made an effort, through the signing of treaties, to attract
direct trade from Denmark, Sweden and Russia to Lisbon. Nothing is more
sensible nor more useful, because the more nations there are seeking to engage in
trade with Portugal, the more these ramifications cause the total amount of this
trade to be removed from the hands of the English.” (Dumouriez 2007 [1774], 147)

It should also be remembered that eight years after the signing of the agreement with the
Nordic countries, Carvalho e Melo signed a peace treaty with Morocco that made the seas
safer for Portuguese vessels, not only for those engaging in coastal trade, but also for those
trading over longer distances. This same treaty also guaranteed access to the grain
production of that North African kingdom, at a time when imports of British grain were
declining at a very fast rate.

3.2. The British decline: the end of the role of the intermediary

Just like the diversification of partners that has been explored here, the decline of
the British hegemony in Portuguese trade during the last few decades of the eighteenth
century is a phenomenon that is well-known to the academic community. According to
Fisher, Great Britain’s loss of its overall importance in Portugal’s foreign trade began in the
1760s (Fisher 1984 [1971], 69-79). The data presented by the British historian show how
exports from England to Portugal never again rose above the level of a million pounds
sterling from 1765 onwards, thus bringing an end to the dynamic growth that had
continued almost uninterruptedly since 1730 (Fisher 1984 [1971]). Also important was the
diversification of kingdom’s trading partners, which contributed to mitigate the
overwhelming British presence. In fact, after the ratification of the Treaty of Madrid, in
1801, France itself became an important partner, overtaking England in the imports of
various Brazilian products, such as sugar or cotton (Alexandre 1993, 35).

Some caution is, however, needed in assessing the decline in British trade. As
studies show (Alexandre 1993, 74), in the last quarter of the eighteenth century, England
only lost part of the economic hegemony that it enjoyed over Portugal. Its leading position within the framework of Portuguese imports and exports was never really threatened.

Table F—Percentage of Great Britain’s share in Portuguese imports and exports

<table>
<thead>
<tr>
<th>Years</th>
<th>Exports</th>
<th>Imports</th>
</tr>
</thead>
<tbody>
<tr>
<td>1776</td>
<td>23.347</td>
<td>38.394</td>
</tr>
<tr>
<td>1777</td>
<td>34.453</td>
<td>37.283</td>
</tr>
<tr>
<td>1783</td>
<td>26.418</td>
<td>38.855</td>
</tr>
<tr>
<td>1787</td>
<td>33.872</td>
<td>44.332</td>
</tr>
<tr>
<td>1789</td>
<td>42.598</td>
<td>43.248</td>
</tr>
<tr>
<td>1796</td>
<td>30.519</td>
<td>38.672</td>
</tr>
<tr>
<td>1797</td>
<td>33.663</td>
<td>31.918</td>
</tr>
<tr>
<td>1798</td>
<td>45.359</td>
<td>45.226</td>
</tr>
<tr>
<td>1799</td>
<td>51.211</td>
<td>44.725</td>
</tr>
<tr>
<td>1800</td>
<td>32.405</td>
<td>44.486</td>
</tr>
<tr>
<td>1801</td>
<td>38.444</td>
<td>25.233</td>
</tr>
<tr>
<td>1802</td>
<td>39.580</td>
<td>37.307</td>
</tr>
<tr>
<td>1803</td>
<td>48.839</td>
<td>37.081</td>
</tr>
<tr>
<td>1804</td>
<td>35.433</td>
<td>32.313</td>
</tr>
<tr>
<td>1805</td>
<td>39.133</td>
<td>29.698</td>
</tr>
<tr>
<td>1806</td>
<td>35.265</td>
<td>40.066</td>
</tr>
</tbody>
</table>


It is in the navigation sector that we can find some of the most interesting signs of this decline, particularly with regard to the British participation in Portugal’s shipping trade.

Percentage share of British vessels in the total number of foreign vessels entering the port of Lisbon

As can be seen in the above graph, the British withdrawal from Portuguese trade did not amount to an absolute retreat. The British flag remained predominant, even though the records showed a clear fall in the number of British vessels entering the port of Lisbon. It should also be added that not all the vessels entering the port of Lisbon were actively
involved in the capital’s trade. In a period that was heavily marked by war, a good many of the British vessels came only in search of shelter and protection from the French-Spanish pirates and did not engage in any business transaction. The same thing happened with the warships and the vessels that transported troops or military equipment, which were estimated to amount to between 20% and 30% of the total (Frutuoso et al 2001, 40). Let us just look at some examples. Of the 678 British ships recorded as entering or leaving the Tagus estuary in 1798, 151 were warships and 174 were ships providing support to the Royal Navy (Almanach de Lisboa 1799, 469). Between 1 January and 6 June of that same year, the Torre de Belém recorded the entry of almost 90 ships belonging to the British Royal Navy (BCM-AH, Cx. 240, Maço 1798). Even more spectacular are the data for 1797, since of the 533 British ships entering the port of Lisbon, 223 were said to be “war vessels”, or, in other words, 42% of the total (Almanach de Lisboa 1798, 457).

Despite their impressive numbers, these boats should not be considered in our analysis, since they did not take part in Portuguese trade. What interests us are the vessels that did in fact engage in commercial activities. And, in regard to this particular aspect, the data that have been collected are fairly clear: most British vessels were only involved in bilateral trade. As can be confirmed in Table G, at the turn of the eighteenth to the nineteenth century, the British merchant navy continued to enjoy a sizeable presence in Portugal’s foreign trade, but it acted predominantly in ensuring Portugal’s connections with Great Britain and its dependencies.

<table>
<thead>
<tr>
<th></th>
<th>1795</th>
<th>1798**</th>
<th>1801**</th>
<th>1804</th>
</tr>
</thead>
<tbody>
<tr>
<td>Great Britain</td>
<td>56</td>
<td>Great Britain</td>
<td>43</td>
<td>Great Britain</td>
</tr>
<tr>
<td>British colonies</td>
<td>18</td>
<td>Newfoundland</td>
<td>23</td>
<td>Gibraltar</td>
</tr>
<tr>
<td>Ireland</td>
<td>11</td>
<td>Gibraltar</td>
<td>15</td>
<td>Newfoundland</td>
</tr>
<tr>
<td>Portugal, Azores and Madeira</td>
<td>5</td>
<td>Portugal</td>
<td>5</td>
<td>Portugal, Azores and Madeira</td>
</tr>
<tr>
<td>Spain *</td>
<td>5</td>
<td>Russia</td>
<td>3</td>
<td>Mediterranean and Morocco</td>
</tr>
<tr>
<td>Russia</td>
<td>3</td>
<td>Ireland</td>
<td>1</td>
<td>Russia</td>
</tr>
</tbody>
</table>

Source: BCM-AH, Cxs. 240 and 241, Maços 1795, 1798, 1801 and 1804
* Includes ships that were supporting operations for the blockade of enemy ports.
** An attempt was made here to exclude warships, vessels that were supporting the fleets (transportation of troops, military equipment and supplies) and passenger ships.

A pattern with a similar meaning can be observed in the trade between Portugal and the Baltic. Although it was an area with a massive British presence (a presence that was in fact
fiercely defended by London—Munch-Petersen 2007), there were few British ships involved in the trade from Portugal to Scandinavia, Prussia and Russia. Therefore, contrary to what was reported to the court, there were no signs that the British were taking great advantage of the favorable tax benefits that they enjoyed in the Sound, at least with respect to the transportation of Portuguese products.

With most of the British vessels (involved in the Lisbon port traffic) being restricted to bilateral circuits, a window of opportunity was opened for the fleets of Scandinavian and North American vessels, already heavily committed to this trade. Portugal had reinforced its links with places such as Hamburg or St. Petersburg and could not dispense transport services, regardless of whether the business was being conducted by Portuguese or foreign traders.

Apparently, the discourse of eighteenth-century economic thought, which linked the diversification of trading partners to the development of a more active form of navigation proved to be inaccurate. Portuguese shipowners remained almost exclusively involved in Portuguese-Brazilian trade, as can be seen from the data collected about Portuguese shipping at the port of Lisbon (Table I).

In fact, contrary to what many people actually thought, the extremely reduced presence of Portuguese ships at European ports could be explained by factors that went far beyond the British hegemony over Portuguese trade. In 1788, Domingos Vandelli (unsuspected of any Anglophile leanings), wrote a brief essay about Portugal’s trade with its colonies, pointing out the reasons for the lack of Portuguese vessels sailing to Europe. These included the high duties paid by Portuguese ships at foreign ports (something that had not been contemplated in the ratified treaties), the piracy of the Berbers in the Mediterranean and the price of the freight (Vandelli 1994, 173-174).
Table I—Main origins of Portuguese vessels entering the port of Lisbon (in %)

<table>
<thead>
<tr>
<th></th>
<th>1795</th>
<th>1798</th>
<th>1801</th>
<th>1804</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil</td>
<td>34</td>
<td>66</td>
<td>51</td>
<td>36</td>
</tr>
<tr>
<td>Morocco</td>
<td>34</td>
<td>Portuguese ports</td>
<td>39</td>
<td>Azores and Madeira</td>
</tr>
<tr>
<td>Azores and Madeira</td>
<td>19</td>
<td>Azores</td>
<td>15</td>
<td>Portugal</td>
</tr>
<tr>
<td>Great Britain</td>
<td>7</td>
<td>Morocco</td>
<td>11</td>
<td>England and Ireland</td>
</tr>
<tr>
<td>Spain</td>
<td>4</td>
<td>Spain</td>
<td>5</td>
<td>Portugal ports</td>
</tr>
</tbody>
</table>

Source: BCM-AH, Cxs. 240 and 241, Maços 1795, 1798, 1801 and 1804

4. Conclusions

This article’s opening premise, which is in fact completely in line with most of the testimonies scrutinized, is that the diversification of trading partners constituted a recurrent argument that aimed to stimulate the kingdom’s foreign trade. At the very least, diversification should foster the frequency of exchanges with Europe. This was, for example, one of the reasons presented by Dom Rodrigo de Sousa Coutinho, already at the end of the eighteenth century, to justify his project to expand the consular network in the Mediterranean area.

At the same time, the geographical diversification of Portuguese trade, particularly in the event of its being accompanied by the development of a national shipping industry active in the northern seas, was meant to guarantee first-hand access at lower prices to a series of goods that were being heavily consumed in Portugal. The commercial approach to the Baltic powers should be understood within this reasoning. The Baltic was the region where it would be possible to obtain linen, hemp, tar, pitch, iron and timber—products that were crucial for shipbuilding. In this regard, the military imperative is undeniable, although the majority of the testimonies we tried to capture were above all concerned with non-military ventures.

The development of a national merchant navy that could guarantee the connections between Portuguese ports and Europe was, in fact, one of the objectives that most frequently arose in association with the defense of the diversification of Portugal’s commercial relations. Additionally, at least in some cases, the discourse displayed a marked hostility to the British protagonism in the Portuguese economy, seen as an obstacle that
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Cruz

prevented development of that same navy. Hence, the diversification of trading partners was also a vivid reaction to the prevalence of a bilateral relationship, truly lopsided, with a country that had equipped itself with mechanisms that were extremely hostile to foreign shipping. As was to be expected, the restrictions imposed by Great Britain on Portuguese shipping clearly upset the mercantilist leanings of Dom Luís da Cunha and Sebastião de Carvalho e Melo. These restrictions were reason enough for seeking out other directions and looking for other partners.

It is important to note that the majority of the testimonies mentioned here did not engage in any lengthy considerations about the nature of the Portuguese fleet, which was possibly more geared towards imperial trade and, as such, incapable of competing with foreign merchant navies in the European trading circuits. Absolutely indisputable is the displeasure with which the various authors contemplated the lack of Portuguese involvement in the latest stage of the re-exportation of the Brazilian products, i.e. from Lisbon to other European ports.

Another level of conclusions relates to the economic impacts associated with the actual transformation, which we have tried to break down here. It can be said that the pivotal innovations were rooted in two particular aspects. The first corresponds to the readjustment made in the economic importance of different countries in the general framework of Portugal’s commercial relations. In the last quarter of the eighteenth century, a group of European markets, some of them with a less traditional involvement in the flows of Portuguese foreign trade, became important trading partners. The Baltic countries and the United States of America were frequently responsible for more than 20% of Portugal external purchases. Grain, linen, iron and timber were undoubtedly the most important goods; they were also the ones who required the use of more ships for their transportation. During this period, Danzig became the main and the more reliable exporter of grain to Lisbon, replacing Great Britain in that role.

The second aspect has to do with the transformation that took place in the connections between the Portuguese ports and Europe. The maritime transport sector, previously dominated by British ship owners, was now subjected to a pronounced multiplication in the number of operators. With the British ships almost completely limited to the bilateral trade circuits, the connections of Portuguese ports to Europe began to be ensured by the resolute services of Scandinavian and North American vessels, even in the case of connections to Mediterranean ports.
An attempt has been made here to highlight the fact that this transformation that took place in the transport sector was not exclusively bound up with international conflicts, in particular with the American War of Independence and the French Revolution; even though the importance of these wars and disturbances should not be underestimated. There were several stimuli that contributed for the transformation of the Portuguese economic relations in Europe. War was one of them. The changes taking place in foreign markets were another. But we must not forget the political incentive promoted by the Portuguese government, from the third quarter of the eighteenth century onwards. Finally, it can be said with some certainty that those who were more sensitive to the mercantilist arguments about the importance of navigation were mistaken when they linked the diversification of trading partners and the concomitant end of the British economic hegemony with the development of the Portuguese shipping. Or rather with the formation of a merchant navy that would be able to participate in the European trading circuits.
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BNP—Biblioteca Nacional de Portugal (Portuguese National Library),
BNL-FG—Biblioteca Nacional de Lisboa—Fundo Geral (Lisbon National Library—
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