

WOOL FOR GRAPES: THE METHUEN TREATY

by

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The well-known Methuen Treaty was a commercial pact between England and Portugal that had important economic consequences for both countries. It was concluded on the 27th of December 1703 by John Methuen, envoy to Portugal, and the Portuguese Conde de Alegrete. Portugal agreed to admit English textiles and in return England imported port wine at a duty rate one third lower than that imposed on French wines.

To orientate the reader to the conditions that led to the agreement, I am going to give some historical background to it. Generally the history books dealing with the Methuen Treaty talk about the higher profits of wine in relation to wheat as the reason for the replacement of the former for the latter, but they don't go deeply into all the aspects involved. In addition to political and economic factors, I will consider phenomena such as soil quality, precipitation and topography as important factors.

Edward III of England encouraged weavers and dyers to come from Flanders to settle in England, to teach the people how to manufacture woollen cloth. The exportation of raw wool and the importation of manufactured woollen goods were forbidden by law. Thus protected, woollen production developed rapidly. Other countries made retaliatory laws, so that overseas

markets were closed to English woollen goods. The effect of this was that the home market became saturated, the price of cloth sank drastically, and it became vital to find new outlets for the manufactured woollens. To encourage domestic industry the English government sent John Methuen, former minister at Pedro II's court, to Lisbon to negotiate. On the political side, Pedro was prepared to guarantee the security of the English in Portugal, but he was reluctant to go farther without knowing what contribution would be made to the defence of Portugal.

Unexpectedly John Methuen was called back to England at the beginning of 1703 to help the British in their assistance of the Dutch navy off the Cadiz coast. Britain was committed to giving Holland aid through the Grand Alliance.

The Bourbons, whom the Portuguese disliked intensely, because they had invaded Spain in 1701, offered Portugal a weak security. They claimed to be able to defend her coasts, but they could not protect her shipping nor guard her possessions overseas. Also there was no guarantee that Spain wouldn't try to invade Portugal again like she had done in 1581. England was committed to defending Portugal's frontiers against Spain and an alliance with both maritime powers assured her free commerce on the seas. Negotiations then began for Portugal's admittance to the Grand Alliance, which had initially been concluded between England, Holland and the Austrian Habsburgs. The purpose was to drive the French out of Italy and the Spanish Netherlands and to bring the Habsburg Archduke Charles to the throne in Spain. This made it impossible for Portugal to remain neutral. Pedro renounced the «twenty year alliance» with France and Spain, through which the country had been forced to close her ports to enemies of the Bourbon powers. In return France had promised military and naval support and aid in recovering Portugal's former possessions in the east.

Negotiations were finally put to paper in December 1703, after the Grand Alliance had agreed to Pedro's conditions, which

demanded that no peace would be made until the Bourbons had been driven from Spain and the Archduke was to appear in person to lead his armies. This Treaty was followed by the Methuen Treaty concerning woollens and port wine.

Turning now to the specifics of Portuguese grape production, the grapes grown in the Douro region and matured in Porto began to get known as port wine at the beginning of the 18th century. Vineyards were planted all over the country, some of them on inappropriate or infertile soils, because their profits were far higher than those for other crops, like wheat. The only other cereal that continued to be grown in large quantities was maize. However, the most important cultivation continued to be that of grapes, which brought prosperity mainly to the north of the country, specially during the 18th century. The commerce was to a great extent in the hands of British businessmen and companies after the conclusion of the Methuen Treaty. The fame of Portuguese wine greatly increased when the War of the Augsburg League closed French ports to England, forcing her to import more wine from Spain and Portugal. From 1692 to 1712 Portugal exported ten times⁸ more wine than France and a third more than Spain. But it wasn't only Britain absorbing Portuguese wines. Other countries from the north of Europe, like Holland, Germany and Scandinavia imported large quantities. Apart from wine Portuguese exports included olive oil, salt, leather goods and fruit, that were sent to central Europe and the overseas colonies. During war time even wool, salted fish and other minor products such as dubbin were desired abroad. But Portugal was not just a country of exports; it also had to import great quantities of manufactured goods.

Exported textiles always occupied first place in England. In 1731 Great Britain supplied Portugal with four times as much cloth and clothes as its nearest rival, France. Other manufactured goods made of iron, copper and other metals were imported from central Europe to satisfy the Portuguese demand.

Looking at Portugal's balance of payments, it will be seen that since the great depression of 1669-1692 it registered an almost permanent deficit. Only the 1680's were an exception, due to the War of the League of Augsburg and Portugal's neutrality. During the whole first half of the 18th century Portugal imported much more than it exported, the difference being paid in gold mined in Brazil. To eliminate the deficit attempts were made to found an industry of manufactured goods. French and English technicians helped to construct factories for manufacturing cotton goods, glass, iron, soap, paper, leather goods, dubbin and gunpowder. The results in general were disappointing as the buyers were suspicious of the quality of the products made in Portugal, as they had been very poorly made in former times. The only survivors were cotton and dubbin, which did prosper for a time. But with few exceptions, the production was only high enough to satisfy domestic consumption and that of the colonies. Little interest was shown in the exportation of these products to other countries. Their period of prosperity lasted until the Industrial Revolution. The continuation of the low prices caused the total ruin of the manufactured goods industry.

Only after the period of particular interest to us, from 1756 on, when the Marquês de Pombal became Prime Minister, did things start to change. Pombal's economic policies reduced imports and increased exports, which was needed. So, in 1780 the «miracle» happened, for the first time in nearly a whole century — Portugal registered a favourable trade balance.

Pombal also tried to stop the decline of wheat production by introducing the severe measure of digging up vineyards in areas with a capacity for growing grain. The result was still a cereal deficit of 15-18% which had to be made up for with the importation of wheat from Andalusia, Spain. The potatoes introduced during the 18th century didn't gain popularity with the peasants for a long time. They fed them to the cattle instead of using them for personal consumption. Animal husbandry

gained importance among the farmers, for the price of meat was high. Wool and skins were sent to the newly-created industries that prepared and exported them mainly to Europe. The people had discovered that different soils, precipitation and topography all influenced crops and their yields.

The north of Portugal, more precisely, the Douro Region, is mostly poor, because of a generally stony soil, which is not suitable for growing cereals. Specially wheat is far more productive on a heavy soil like terra rossa that one encounters in the Alentejo region. The other major factor against wheat cultivation in the Douro region is the high precipitation, sometimes throughout the year. In October-November, when the land is usually prepared, the rains often don't permit the farmers to work the land. However, if they are able to sow the wheat in time, the next problem consists in the strong possibility of their seeds being washed out of the soil into the valleys, due to the hilly topography of the Douro region. Sporadic rainfall around Christmas waterlogs the land causing the rotting of the root system of the newly germinated seeds. The fourth and last obstacle that wheat has to overcome before one can think of harvesting it is the fungus that attacks it in the Spring. This is caused by excessive rain and makes the seeds shrivel up.

Given the climatic, topographic and other difficulties in growing cereals, one will come to the conclusion that they are among the *major* reasons for establishing vineyards instead of cereals in the Douro region in the 18th century.

Great or simple historical events are always caused by a series of varied, complicated and interrelated factors, *all* of which must be taken into account to fully understand our past.