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ENGLISH MERCHANTS IN PORTUGAL: A HISTORY OF THE PORT WINES ON
THE MAKING

(MERCADERES INGLESES EN PORTUGAL: RECONSTRUYENDO LA
HISTORIA DE LOS VINOS DE OPORTO)

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*"Wine are like men, as long as time
goes by, bad sour, and good
improve..."*

Cicero

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1. ABSTRACT

The present work intends to elaborate an analysis of the history behind the production of Port wines, which have special characteristics that transform them into an interesting subject.

In order to understand the events that turned Port into the great wine that it is today, this work has been structured as follows: first of all, we will address the origins of Portugal, its eventual restructuring into an independent Kingdom and the so-called 'Iberian Union'; then we will briefly examine the commercial power of these two world powers, Spain and Portugal, and afterwards we will analyse the presence of English merchants in the Iberian Peninsula and its big impact on the territory. Once all the historiographical part has been developed, we will proceed to carry out a detailed analysis of Port wines: their special characteristics, the variety of types we can find, their history, or their importance, both from the point of view of the exports and the human resources involved in this industry. Finally, we will conclude our study with an evaluation of the role of Port wine in the life of English consumers.

Key words: Port wine, Portugal, English merchants, special characteristics, consumer behaviour.

RESUMEN

El presente trabajo trata de desarrollar el recorrido histórico que entraña la producción de los vinos de Oporto, poseedores de unas características especiales que los convierten en objeto de gran interés.

Con el fin de comprender los elementos que han hecho del Oporto el gran vino que es hoy en día, se ha estructurado el trabajo de la siguiente manera: en primer lugar atenderemos a los orígenes de Portugal, su conversión en Reino independiente y lo que se denomina “Unión Ibérica”; seguidamente haremos un breve repaso del poder y alcance comercial desde el siglo XVII de estas dos potencias mundiales, la española y la portuguesa, para después analizar el paso de mercaderes ingleses por la Península Ibérica y su incidencia sobre la misma. Una vez desarrollada toda la parte historiográfica, procederemos a analizar los vinos de Oporto de manera detallada: sus características especiales, la variedad de tipos que podemos encontrar, su historia, o por qué son tan relevantes, atendiendo a factores como el volumen de exportaciones o los recursos humanos implicados en dicha industria. Finalmente, concluiremos nuestro estudio con un análisis sobre la influencia del Oporto en el comportamiento del consumidor inglés.

Palabras clave: vino de Oporto, Portugal, mercaderes ingleses, características especiales, comportamiento del consumidor.

2. INTRODUCTION

The history of commerce between the Kingdom of Spain and England is interesting because it has a date when relations between both countries became extremely complicated. During the reign of Henry VIII, at least in the early years, relations were deeply marked by great commercial prosperity. Without going into greater detail, given that it is not the purpose of our study, reference might be made to the presence of English merchants on the Peninsula, represented by a factor in enclaves such as Seville, Sanlúcar de Barrameda, Lisbon, Porto, Vigo or Bilbao. The English Crown was related to the Spanish Crown by virtue of Henry VIII's marriage to Catherine of Aragon, daughter of the Catholic Monarchs. In the cultural field, the presence of Spaniards in the United Kingdom and vice versa was numerous. Just to give one example, and bearing in mind that the official language of the educational institutions was Latin, many Spaniards taught at Oxford and Cambridge universities. As could not be otherwise, the tutor of Princess Mary (daughter of Henry VIII and Catherine of Aragon with the unjust appellation "bloody") was a well-known Spanish humanist: Luis Vives.

The optimal relations between the two thrones became increasingly complicated in 1534 when Henry VIII, who intended to divorce Catherine of Aragon, asked the Roman Pontiff to annul his marriage, something to which the pope did not agree, leading the English monarch to proclaim a national Church separate from Rome: the Anglican Church of which he would be the visible leader. Spain, in turn, represented the depository of the essences of the Catholic confession; it was still the first global power and considered that Henry VIII's new religious situation contravened the established order in Europe and, most importantly for us, the commercial contracts were difficult to draft since the English king continued to retain to this day the papal title of "Defender of the Faith".

Despite this, soon the English, Spanish and Portuguese merchants found the solution to continue trading. After all, at that early date in the sixteenth century, the common expression "business is business" was already being implemented, leaving aside religious considerations of all kinds. It seems that French merchants did not put so many scruples in front of the documents that had to be drafted, and they offered themselves as intermediaries between the English, Portuguese and Spanish, safeguarding the commercial relations between England and Spain and Portugal.

With the intention of avoiding misunderstandings and confrontations with the feared institution of the Inquisition, a book entitled *The Marchants Avizo* was published in 1589, a book in which precise instructions on how the English should do business in Spain and Portugal were given. It is admirable to contemplate how the English, by means of the apprentices and factors were represented in several ports of Spain. The factor guaranteed his master the goods that were commanded and the sales that were suggested to him. From the total amount of the transaction the factors were given 2.5% (a percentage higher to this figure meant usury and it was sternly punished). English merchants started to depart from ports near London and later from Bristol (because the so-called Spanish Company officially started to trade there. Let us remember the guild character of the English companies: at national level they were distributed by merchandise and at international level, by geographical areas. Anecdotally, the Russian Company, which as its name suggests dealt with Russia, had rights over a market that reached Persia, where the factor, because of the danger associated to their intermediary actions, had the right to charge their patrons 5%.)

English merchants had certainly marked a naval strategy that consisted on departing from English land, using Vigo and Porto as ports of refreshment, delivering goods in Lisbon and concluding its distribution in Sanlúcar de Barrameda, where the ships were totally empty and ready for the cargo back to England (it has been demonstrated that the letters and letters of safe-passage received by English merchants and granted by the House of Medina Sidonia, gave them detailed rights and, according to the opinion of current specialists, their drafting was much superior to the Schengen Agreement). On their journey back to England from Salúcar de Barrameda, the ships began to collect spices from North Africa, dye for fabrics such as lapis lazuli, and raisins from Malaga. The next port where English merchants would stop was Lisbon. On occasion, the function was motivated as mail-ships that connected the English merchants in the south of Spain with those of Lisbon. Navigation up, both Porto and Vigo were, as we have said, ports of refreshment. In Porto, the English began to take an interest in wine production, given the bad relations between the English and the French over a long historical period. It should be noted that here has its beginnings the acquisition of wines and its export to England, although under English control: both the ownership of the land and the wineries passed into English hands and continues to be so to this day (on this subject, the main objective of our work, we will return in later paragraphs of this introduction). Vigo was another

port of refreshment and from there the ships went to Bilbao where the iron and coal were commercialised (let us remember that the presence of the English in Biscay can be appreciated even today, as evidenced by the buildings of English style that still stand). From Bilbao the ships set off for Bordeaux, where they collected the French wines and cognac that could have been the “inspiration” for the Port wines produced by the English, although also inspired by Portuguese style. The presence of English merchants in Portugal became more evident than in Spain and from that period comes a greater relationship between England and Portugal than between Spain and England. The passage of time and once Portugal found itself permanently in the position of independent country made its situation more preferable and valuable than Spain. We simply need to remember how, already in the nineteenth century, Lisbon’s *Praça do Rossio*, initiated by Pedro IV, Emperor of Brazil, ended coinciding with the visit of the Queen Victoria of England.

Perhaps, in order to set a historical moment in Portugal’s history associated to the production of Port wines, it might be necessary to refer to a leading figure in the country’s history of the eighteenth century: the Marquis of Pombal. Thus, in 1703 England and Portugal signed the Methuen Treaty stipulating that Portuguese wines exported to England would pay one third less than the fees that France had been paying. We should also emphasise, although it has nothing to do with the aforementioned treaty, that Port wines from the Douro Valley were better suited to the tastes of the English consumer than those from other areas in Portugal such as the Minho region. It is true that the Scottish and English merchants were not the only ones interested in Port wines. The presence of Danish and German navigators has been verified, although they constituted a minority compared to the English. In that eighteenth century, under the protection of Pombal and during a period close to forty years, there was a fast growth and a very beneficial export for merchants and winemakers. The prosperous situation, already in those times, led some people to offer as legitimate blended wines that were far removed from the production of the Douro Valley or its category. Once again it was the Prime Minister, the aforementioned Marquis of Pombal, who took matters into his own hands. He established a control over the Port wines and set a monopoly on exports to England and Brazil. It should be noted that the boundaries of the vineyards destined to produce the Port wine grape were defined. Already in the second half of the eighteenth century an important classification of grapevines was carried out by virtue of which the highest quality wines were designed for exportation. It is highly likely that in the history of trade it may be

understood that the measures adopted by the Marquis of Pombal, fundamentally by establishing the monopoly of his production were a negative measure for wines. Nevertheless, the interventions meant a big step towards a higher quality production and a significant increase in the exports. It could still be said that when the territories were delimited and the grape-producing vines for Port wine were recognised, although it did not exist at the time, what was being done was distinguishing that wine from all the others, and for it to be identified as Port wine, which would somehow mean the beginnings of a special wine that could be equivalent to what we now call “Denomination of Origin”. Interestingly enough, we have gone through an important twist in the “improvement” of the production of Port which is reflected in the abundant documentation dating from that eighteenth century. With the vineyards delineated and the importers set apart, producers and production were heading towards the nineteenth century.

The magnificence of the British Empire is well balanced insofar as the colonies supply the United Kingdom with raw materials, and the United Kingdom produces, as a country, a machinery for the production of what had traditionally been known as heavy industry: shipyards, steam engines and rails that were exported not only to the British colonies, but also to a large proportion of Latin America, which once independent from Spain, decided to establish better trade relations with the United Kingdom than with the Spain that had just been its ruler.

It is quite clear that when it comes to social justice, labour rights, recognition of the legitimate rights of women, health and education, the United Kingdom was a long way from becoming a modern country in which these rights, as we understand them today, were realised. However, under the shelter of the Empire, a broad ruling class was built, consisting of the army, and expanded throughout the world; the civil administration of the State, and a nobility that had never lost its rights, held a good part of the property of the land fully and understood the benefits that international trade could bring. It is no surprising, therefore, that this large British ruling class had comfortable living conditions in which the import of goods produced outside the United Kingdom became fundamental components of their social expression. Such is the case with the consumption of Port wines, which better satisfied the tastes of the British establishment than those imported, for example, from France. This concept of international trade is what determines that a good part of the vines should pass to the control of the English, for two reasons: their

situation was preferential since the times of the Marquis of Pombal, and the interest that these wines caused both in Denmark and the Netherlands, could be economically interesting for English merchants who already had experience on trading with the Iberian Peninsula since the beginning of the sixteenth century.

We know from History that the twentieth century was not a time when Port production deserved priority attention in the United Kingdom (we consider that from 1914 to 1945, including the inter-war period, a matter such as production, export and sailing the seas of European waters constituted a serious danger). It would not be until well into the second half of the twentieth century that the production and export of Port wines was revitalised again. Once again, History came to define the rules of the game: production and exportation, in the hands of the English was a peaceful business for the dictatorship of Oliveira Salazar. On the verge of the twentieth century and in the first two decades of the twenty-first century, the ownership of the vineyards was consolidated and the export of this type of wine remained in the hands of English producers and traders. As if this were not enough, the workers in the vineyards belonged, like all the Portuguese people, to an impoverished class that did not begin to experience a period of prosperity until its incorporation into the European Union. The circumstances in Portugal on the one hand and in the United Kingdom on the other were therefore the best for this production and marketing to remain in British hands.

Another benefit that Port wines would receive begins in the period, close to forty years, in which Portugal and the United Kingdom have been belonging to the European Union. It still remains to be seen whether the post-Brexit stage, if any, will redirect the interest of this market towards other areas: we are talking about the United States and the possible return of the interest of Denmark and the Netherlands in its broadest concept. Our study, in short, must address a research of the export of a wine that History has placed in English hands, a wine that has been adapted to the tastes of the British consumer and has still managed to find room for exporting to the geographical demarcations we have just mentioned. The production, its distinctive character and its presence in British establishments and residences of a certain prestige have preserved the production of Port wines as something purely British. English importers, for some three or four decades, besides retaining the ownership of the lands, vineyards and brands, have understood that without getting out of their hands, a significant part of the export to the United Kingdom

can take place in the bulk shipping of their wine and subsequent bottling and exportation from their facilities in London.

Our study aims to make a historical review of this special wine production, its management by English hands, its importance in the Portuguese wine industry, in the human resources to which it grants work, and in the custody of a product that for more than three centuries preserves its brand prestige and its distinction.

3. METHODOLOGY

Nowadays numerous wineries around the world have sought to carve a niche on the wine production industry. And that is not just on the part of European production: the Germans have defended the quality of their white wine to be served at receptions; the French and the Italians have ensured that their brands have not lost prestige on the international markets. The same thing applies to Spain, although with less success as far as the defence of the quality of Spanish wines is concerned, compared to its aforementioned neighbours. Out of the European continent, several countries are struggling to improve their market position: this is the case of Australia, South Africa, Chile and some production in the United States.

In all cases, the internationalisation of these wines is recent, with the exception of France and Italy. It is surprising how since the late Middle Ages the powerful merchants of Europe were English and Dutch. There is plenty of commercial literature that reflects the interest of the English in Spain, perhaps taking into account that in the middle of the sixteenth century Spain was still the first global power and the Crowns of both countries had an extraordinary relationship. Considering this historical situation, it is interesting to see how the British international market was consolidated long before its empire became important in the world, even though the British managed to control points of interest in order to replace the Spanish Empire as the first power. From those beginnings up to the ability of the British to conclude agreements and treaties with Portugal, now independent from Spain, the remarkable casuistry of the production of Port wines arises. Especially following the period in the eighteenth century in which the Portuguese nation was led by the Marquis of Pombal, despite the disastrous repercussions of the well-known Lisbon earthquake.

The Marquis of Pombal knew how to make a distinction between his wine production. In other words: when some began to work to achieve a denomination of origin in the second half of the twentieth century, Pombal had granted it to Port wines two long centuries earlier. And this by considering the very beginning in the production chain. Only the vineyards located in a specific part of the banks of the Douro river and officially recognised by the government of Lisbon could be considered Port wines. It is true that

the circumstances of a depressed Portugal made things easier for the cultivation of vines, their land and the commercialisation of this type of wine to remain in English hands.

Similarly, once the birth, growth and distinction of Port wine is known, it will be necessary to make a differentiating analysis with other wine productions of a domination of origin that has been recognised as such for three hundred years. From the point of view of exports, it is necessary to bear in mind the differentiation on which Port brands with a clearly English name are still based. We actually find ourselves facing a phenomenon in which successive Portuguese governments have understood that this denomination can act as a strategy for other categories of wine that are in Portuguese hands. But Port wine immediately reached an international impact, with prices above the market and designed for export. On Portuguese soil, there were still wines that could be assimilated to Port but which, since the time of the repeatedly mentioned Marquis of Pombal, could neither be used nor sold as Port wines, but were assimilated as a copy.

The English presence, from the first moment of Port production, only at an anecdotal level, was imitated in León with the acquisition of wineries and the application of oenological methods by winemakers from another denomination of origin, in this case French: Bordeaux wines. Consequently, analysing the characteristics of Port wine, its trends in the market, the figures of its export and the conservation of centuries of acquired prestige are elements that we must evaluate in our study. Above all, Port wines give us a clear historical perspective of English international trade: from the late Middle Ages to the present day, English merchants have sailed both near and far seas. And in this case, they show us how a product unrelated to the British climate and environment has reached such importance and has generated a demand for a product that, being Portuguese, clearly defines British traditions as, by the way, can be seen in literature, in cinematography and, above all, in British social customs.

4. THE IBERIAN PENINSULA

4.1. THE IBERIAN UNION

Three important events occurred in Spanish history shortly before the end of the last century of the Medieval period. First of all, the union of the crowns of Castile and Aragon, which unified under the same ruler the greater part of the peninsular territory. Secondly, the conquest of the last stronghold of the Moors in Granada, which put an end to the war that had been going on for centuries. And in the third place, the discovery of America by Columbus (Day, 1908).

4.1.1. The Iberian precedents of the union of territories

The Iberian Peninsula was initially the scene of several territorial expansion initiatives, including the union of the Crowns of Castile and Aragon, the conquest of Granada, or the occupation of Navarre and its subsequent annexation to Castile (Cardim, 2012).

The union of the Iberian crowns had previously been contemplated; first time was during the reign of Manuel I (1495 – 1521) and then, under the administration of Prince Miguel da Paz (1498 – 1499). Manuel defined himself as the heir of the Catholic Monarchs, but with the death of his wife, this right was conveyed to Miguel, the newborn prince. Miguel was bound by an oath to respect the identity of Portugal, Castile and Aragon, but this commitment was never put into practice, as Miguel died in Granada on July 20, 1500, at the age of two. This event frustrated the project of an Iberian union under the Portuguese model (Cardim & Schaub, 2014).

4.1.2. The emergence of Portugal

The question of Portuguese individuality and the formation of a monarchy in the western part of the peninsula have been the subject-matter of continuous dispute for many years. (Livermore, 1977) The union of the territories, the political nature of the reigns, the implications of the conquest, the extension of the royal authority, the intervention of the Courts in the government or the election of the form of governance have been intensely discussed since, at least, the end of the fifteenth century. (Cardim & Schaub, 2014) Alexandre Herculano and Oliveira Martins, two major historians from the nineteenth

century, considered Portuguese independence “to be somewhat coincidental, a consequence of casual political events that took place in the twelfth century”, as noted in Payne (1987, p. 9).

During the first years there was a strong depopulation of some rural areas of central Portugal, due to a combination of poor wages, feudal tyranny and the idea of an easier life in the major cities of the empire. This and other factors such as the worsening of the diet caused the population of Portugal to stop increasing during the rest of the century, and even to be in danger of decreasing¹.

In contrast, Lisbon grew enormously. It became the centre of the Portuguese society, both for the rich and the poor. The royal monopoly system concentrated trade in Lisbon in a disproportionate way, which caused the hypertrophy of the main port and the decline of most coastal cities. For this reason, between 1580 and 1620, taxes were lowered so as to encourage the extensive use of the smaller ports, especially Porto and Viana (Payne, 1987).

4.1.3. The Portuguese succession crisis

Between 1578 and 1581, Portugal experienced a dynastic conflict. This event triggered a debate on the rights of each of the candidates to the Portuguese throne, as well as the extent and limits of real authority in the country. The reason for this was that in the Iberian world of the sixteenth century, the political culture was still deeply marked by legal and Catholic aspects.

João IV, the successor of King João III, died in 1557, leaving D. Sebastião as his heir. At that time, he was only three years old, so in 1562 a regency council was established under Cardinal D. Henrique, who ruled until Sebastian was proclaimed an adult in 1568, at the age of fifteen. D. Sebastian had no interest in the people or in the matters of Portugal, nor had he designed a programme for his administration. His big obsession was a big crusade against ‘the unfaithful’ in Morocco. Many are the historians who see in this incompetent and emotionally unbalanced king the symbolic climax of Portugal’s history in the

¹ The number of inhabitants had been growing until that moment, reaching possibly 1,400,000 inhabitants at the beginning of the century (Payne, 1987).

sixteenth century: a nation whose elites had decided to build a maritime empire when they lacked the necessary means, the right policies or the interest to undertake such a project.

Sebastian I was interested in one single thing: invading Morocco. However, the continuous deterioration of the Portuguese resources over the previous ten years made it impossible to organise an expedition. The possibilities of invading the country increased in 1574, when the Moroccan sultan, Muley Muhammed, was ousted by his uncle Muley Abd al-Malik with the support of Turkish troops. Three years later, the port of Arzila, near Tangier, was handed over to Portuguese protection, and Muley Muhammed sought the assistance of the Portuguese to recover his throne.

In 1578, with the financial support of the Church, D. Sebastian was able to gather a group of nearly 14,000 men, many of whom were aristocrats. Concealing his true aim, a definitive battle against the Moroccans, he led his army from Arzila and battled against the forces of al-Malik – of about 40,000 men – on August 4, near the village of Alcácer-Quibir. The Portuguese side had little chance of winning, and most of them were killed. In this «battle of the three kings» the three sovereigns died, and many of Portugal's important noblemen were captured as prisoners (Payne, 1987).

4.1.4. Resolution of the dispute over succession

The death of the Sebastian I and the capture of the Portuguese noblemen led to a state of crisis. The Portuguese king had neither sons nor brothers, so Cardinal Henrique assumed the regency once again (but only for one year and a half, until he died). The Portuguese found themselves immersed in two years of confusion and increasing economic problems due to the ransom payments of the Portuguese prisoners. The internal direction had failed, and there was now a power vacuum in the kingdom (Payne, 1987).

After September 1578, the political dispute over the succession debate intensified. There were six leading candidates for the throne, out of which Philip II, King of Spain, and D. Catarina of Bragança were the strongest ones. He was son of Charles V and Isabel, the elder daughter of Manuel I – King of Portugal during the golden era, between 1495 and 1521 –; and she was the daughter of D. Duarte, one of the sons of Manuel I.

From a juridical point of view, the situation was very complex. In an attempt to find a solution consistent with the law and to prevent a military conflict, D. Henrique summonsed the Courts, and in October 1578, a group of Portuguese jurists composed and disclosed the *Allegações de direito* (Pedro Paiva, 2004). These allegations claimed that since the kingdom was vacant because there was no person of royal blood legitimately related to the previous king, the representative assembly could elect the new monarch, as stated by the applicable law.

The two most important bishops of the Courts were Jerónimo Osório (Algarve) and António Pinheiro (Miranda, later transferred to Leiria). A short while after Cardinal Henrique's death, the bishop of Algarve stated that in the event of an integration into the possessions of Philip II, there were only two possible options: either an entrance by conquest, or by agreed integration. Osório² himself wrote a letter to the Portuguese rulers, advising that in no way should a battle be started against Philip II, since Portugal did not have the military capability to resist a conflict with the Habsburgs.

The lower classes were depressed and resentful, and many members of the upper classes feared a social upheaval if a strong government was not restored. For this reason, the majority of the remaining aristocracy in Portugal, as well as the ecclesiastical hierarchy, quickly accepted Philip II as the new sovereign. He was finally crowned in 1581 (Payne, 1987).

4.1.5. Portugal under the House of Habsburg

The House of Habsburg ruled Portugal for 60 years, being this a period of recovery. The spice trade had begun to decline by the middle of the century, and earnings from eastern possessions had decreased by up to a third, but the situation temporarily improved in the early seventeenth century. Portuguese possessions in Brazil began to expand, and the domestic economy began to grow once again. Exports of wine, olive oil, fruit and salt increased, and the growth of the population, which had been halted for a time, resumed.

² Historians studying the Portuguese dynastic crisis have rarely highlighted the importance of bishops and prelates on political activities, but the truth is that they were deeply engaged in politics during the sixteenth century. They were a very important elite thanks to their high cultural level, the religious prestige or the symbolism of their episcopal functions, and all these factors led the crown candidates to attempt to obtain their support (Pedro Paiva, 2004).

During the Habsburg era, Castilian dominated the cultural sphere, and the majority of literary works published in Portugal during these decades written in Spanish. In addition, the new dynasty actively fostered a new pro-Habsburg aristocracy, increasing the number of houses with titles of nobility.

These years were a time of recovery for Portugal. The union of the Hispanic Crowns provided increased security and lessened financial stress while offering Portuguese merchants greater and better business opportunities in Latin America. However, despite all the efforts, none of this could erase the Portuguese political identity (Payne, 1987).

4.2. PORTUGUESE RESTORATION WAR (1640 – 1668)

The rebellion that led to the end of the Iberian union can be considered equal to other revolutions that took place in Europe in the seventeenth century, insofar as this event represented a radical change: “Portugal emerged as a truly modern European state” (Tengwall, 2010, p. 391).

The Portuguese Restoration War was the conflict of longest duration on the Iberian Peninsula during the seventeenth century. For the new King Philip IV and his ministers, retaking Lisbon was a necessity; for the population, it was just one more gesture of the imperialism exercised by their rulers, the same imperialism that had embarked the kingdom in other operations equally damaging and difficult to finance (White, 2003).

After a series of attempts to carry out a trade embargo on Portugal and its colonies, and after a series of Spanish defeats, the House of Habsburg accepted their defeat, putting an end to their project of plenitude of the Habsburg empire. The ignorance of the Portuguese geography, the lack of a powerful army, the presence of foreign troops in Portugal, the great number of modern fortifications that protected the borders and the failure of the Spanish military operations ended almost 28 years of conflict, “constituting the greatest logistical tragedy in the history of the Catholic Monarchy” and accentuating the existing economic and political problems (Valladares Ramírez, 1996, p. 528).

5. A HISTORY OF COMMERCE

Many are the events played out during the Middle Ages and the Modern Era that deeply affected the commercial history of Europe: the collapse of the credit, a big European depression, the disruption of Antwerp's trade, the debasement of the English currency, and a long etcetera. All these factors undermined the stability of commerce and changed the previous economic situation significantly (P. Croft, 1973a).

However, the commercial supremacy of the states of the Iberian Peninsula seemed to be assured by the great possessions they had outside Europe. A good example of this is Charles V, who ruled with undeniable absolutism in some of the richest countries in Europe regardless of Spain, as it was the case of the Netherlands, and he enjoyed in his own right the sovereignty over the majority of America, as well as over Asiatic and African possessions (Day, 1908).

Throughout the seventeenth century, and especially the eighteenth century, Portugal and Spain considerably lost their colonial influence, and England became not only a world maritime power, but also one of the main engines of world trade, especially wine (Riera Palmero, 2014).

5.1. SPAIN

Especially at the end of the seventeenth century and the beginning of the eighteenth century, the English began to put increasing pressure on the Spanish colonies in America with the intention of establishing trade relations with them. The country was reaching an ever-increasing production capacity, and after having focused its interests on the Iberian Peninsula, it was now determined to expand its markets (Nadal i Farreras, 1977) In this section we give a general review of the commercial trajectory of Spain and Portugal (as a single territory under the Iberian Union and as two independent Kingdoms), both highly influenced by the presence of English factors and companies in the Peninsula.

5.1.1. Rapid growth of Spanish industry and commerce

The rise of the Spanish monarchy took place in parallel with the development of the Spanish industry. All through the Middle Ages, Spain had been rich solely in raw materials, and so it exported wool, iron and wine, and imported manufactures. The wars against the Moors had distanced people from the industrial arts, thus manufactures were mostly rudimentary, except in a few cities like Barcelona.

The Moors and the Jews were the most advanced social groups in manufactures. Under the reign of the Catholic Monarchs, a significant advance was experienced, but this movement did not fully progress until the sixteenth century. The number of workers employed in the textile industries in Toledo began to grow, and so did the industries based in wool; Spain started to import raw silk and export finished products, thus taking a considerable turn with regard to the starting situation.

5.1.2. Economic downturn in the following period

As Clive Day well comments in his work (1908), surprising as this commercial development may seem, it is much less impressive than the recession that followed. And what was the cause – or the causes – of this?

One of the most significant factors explaining this decline was an actual decrease of population. It would not be correct to say that the drop in the number of inhabitants was purely due to emigrations to America, as the drain of population for that reason was small. And even though the executions by the Inquisition were numerous, this could not alone have lessened the population. It was more significant the expulsion in 1609 of approximately one million of Moriscoes from the south. These people were the leaders of industry and agriculture of Spain, and they suffered the same fate as the leaders in trade, the Jews.

A faulty political system led to this situation; Spaniards were at this time being ruled by negligent leaders who were wasting all the available resources, either pushed by their own interests or because of natural incompetence. In addition, the lay and ecclesiastical elites that wielded the power had ingrained feudal concepts from the previous period of war, concepts that were the opposite of business-like.

5.1.3. Tax burden: custom duties on the frontier and inside the country

Taxes increased so quickly in the sixteenth century that by 1594 they accounted for 30% of a man's assets. The policy in customs duties was marked by rates which were enormously high for the time, or absolute prohibitions with the death penalty for infraction.

Commerce would have ceased almost altogether if it had not been for the necessity of foreign wares in Spain after the destruction of home manufacturers. The goods were procured partly by smugglers through the corruption of the customs guards and the government. This allowed wares to enter, but it killed the remnants of active Spanish commerce with Europe, since these favours granted to foreigners were refused to natives. Eventually, Spanish shipping declined until it practically ceased to exist outside the protected colonial traffic.

But the thing is that duties existed in the interior of the country as well as in the frontiers. This situation would simply hinder the free passage of goods and the development of commerce. Spanish kings tried to abolish these internal customs frontiers, but failed through the opposition of interested groups and the royal need for money. It was not until 1717 that these barriers were eliminated, but even this was insufficient (for example, internal tariff barriers remained present in Andalusia) (Day, 1908).

5.2. PORTUGAL: PROMISE OF COMMERCIAL PROSPERITY

While other nations with more resources than Portugal still did not feel confident to undertake long-distance trade routes, this country built up a commercial network that perfectly competed with that of Spain, and far exceeded in importance any of the northern European states at that time. Portugal gained for itself the richest part of the extra-European territories: the East.

The Portuguese achievements in maritime explorations benefited them after the discovery of America and the sea route to India³. Portugal was favoured in Asia by a series of

³ To give an example: Vasco da Gama came back to Lisbon in 1499 with a shipment that repaid sixty times the cost of the expedition. This triggered a series of voyages devoted particularly to the importation of pepper and other spices which could be purchased at such low prices in the East that they returned huge

circumstances that allowed them to create, through naval power, a business dominance with no competitors, neither Asiatic nor European. Even though it had a commercial policy very similar to the Spanish, in the case of Portugal, more forces drove to the failure of the country to maintain its good position (Day, 1908).

5.2.1. Maritime and commercial operations at the origins

It has been documented that there were more small ports in use on the Portuguese coasts during the Middle Ages than in the twentieth century. Portuguese maritime industry is a factor that precedes the independence of the kingdom. Before 1100 there were already Portuguese merchants established in the main ports of France and Flanders, but only in limited amounts. The urban craftsmanship never amounted to large proportions relative to trade, and along with some type of linen, Portuguese exports in the fourteenth century consisted of groceries and raw materials: wine, oil, dried fish, leather, Setubal salt, cork, figs, raisins and almonds from the south.

The growth of the Portuguese fleet was slow but steady, and it was benefited by the exceptional geographical position of the kingdom. By the early fourteenth century, it had become a small force that could not be ignored. However, only a very small sector of the population participated in maritime activity, compared to the main coastal areas of the rest of western Europe. The small size of the Portuguese fleet and the weakness of the domestic economy were compensated to some extent by the strategic position enjoyed by the Portuguese, at the central axis of the maritime route between Italy and Flanders (Payne, 1987).

5.2.2. Weakness in resources: bad effects of Spanish rule (1580 – 1640)

Portugal was a small, industrially undeveloped country, and from the beginning it relied on other countries for the goods it exported to the East. Portuguese monarchy boosted explorations and trade with the colonies, but when the country fell under the influence of the Spanish Crown in the period between 1580 and 1640, things just got worse. Soon,

profits in Europe. Even the gold and diamonds, which came later from Brazil, were not as valuable to Portugal as the monopoly it now enjoyed in the drugs, spices, dyes and manufactures, which previously could only be obtained by the expensive land route (Day, 1908).

other countries that were far stronger economically than Portugal took advantage of the situation. To give some examples, the Portuguese were expelled by Holland from the eastern islands and England took control of India.

5.2.3. Failure of Portugal to recover its position by commerce with Brazil

After becoming independent from Spain in 1640, Portugal could only focus its forces on her single possession in America: Brazil. The Dutch had been forced to leave the territory, and the discovery of gold in the area stimulated the development of commercial exchanges.

Compared to the first half of the seventeenth century, trade between Portugal and Brazil increased twentyfold in the second half on the eighteenth century. However, given the conditions in Portugal, most of the benefits of these transactions would go to foreigners. The small advances that had been made in agriculture and manufacturing before the discoveries had been lost by focusing all energies and resources on trade and navigation.

5.2.4. Dependence of Portugal on England

By the mid-eighteenth century, Portugal needed great support from other countries – two thirds of her physical needs were provided by England –. Eventually, it came to a point where all Portuguese trade was carried out by English agents (they went so far as to monopolise trade with Brazil). Indeed, there were many goods that Portugal could not manufacture on its own, and England took advantage of the political and economic weaknesses of Portugal to impose treaty obligations that benefited English producers.

In an attempt to revitalise the industry, Portugal succeeded in reducing to some extent the English control over trade. However, by the end of the eighteenth century, Portugal had only one powerful national industry: the production of Port wine, so named because of its place of dispatch, Porto. This product was destined to be consumed by the English upper classes, and despite the efforts of the Portuguese politicians, even this industry was controlled by the English (Day, 1908).

6. ENGLISH MERCHANTS ON THE PENINSULA

Spain and Portugal were two of the world's greatest powers for a long time, and we must bear in mind the big impact that English factors and merchant companies had on the peninsular territory.

6.1. THE FIGURE OF THE FACTOR

The factor was a fundamental element in the development of commercial relations between the English and the Iberian Peninsula. The origins of this figure are linked to the appearance of the sedentary merchant. We can distinguish three stages in the evolution of commercial practice that show us how the merchants were adapting themselves to the changing conditions of international trade throughout the years.

In the first phase, the so-called travelling merchant takes his goods to a foreign market, sells them and then returns with the products he has been able to acquire in exchange. In the second stage we find the sedentary merchant, who stays at home and entrusts his goods to a seller who sells them and returns with other products. Finally, we have the merchant who is still sedentary, but sends his goods to a factor living abroad, who sells them and guarantees the shipment of the cargo (Scott & Grass, 1918).

In the course of time, and especially in the second half of the seventeenth century, the sedentary merchants became more important. They usually traded using factors, and the use of these ones became especially necessary when a merchant increased the size of his operations, particularly when the merchant traded with several countries at the same time.

Factors living and working abroad were hired by joint-stock companies, merchants or merchant committees. But how could a person become a factor? The use of apprentices as factors, being these at the end of their commercial education, became a frequent practice. They were sent abroad to gain experience and complete their training, a process in which language learning was of paramount importance (Mendenhall, 1953). During this first phase, the apprentice, who could complete this instruction by serving as a factor, could not trade on his own without the master's permission (Hanbury, 1960).

The factor that also traded for himself was less frequent than the factor that traded exclusively for others, but examples of this combination can also be found. Among other things, there may have been some kind of rejection to use factors that also took care of their own businesses, as these could favour their own interests over those of their master.

Factors were primarily engaged in buying and selling. However, they were not merely passive agents: although they did not decide the buying and selling policies of his master, their knowledge of the foreign markets influenced the master when deciding which goods to export. There was no general manual for factors until 1589, with the publication of *The Marchants Avizo*.

The evolution from factor to merchant was a common phenomenon at the time, especially in the case of those who were more capable and ambitious, although there were also those who started and finished their commercial career as factors (Lanero Fernández & Ortega Montes, 2007).

6.2. THE SPANISH COMPANY

6.2.1. 1530 – 1585: the first Spanish Company

In the sixteenth century, merchants trading to Spain and Portugal had focused on the coastal area of Andalusia. The vast majority of English cargoes were shipped to this area, and most of these merchants had congregated at the ports of Seville, Sanlúcar de Barrameda, Cádiz and Puerto de Santa María.

The roots of the Spanish Company are to be found in the organisation that the English merchants of early sixteenth century founded in the Iberian Peninsula for their protection and welfare. This was something not unusual for both the trading companies of the Merchant Adventurers⁴ and the Merchant Staplers⁵, which had established their main offices in their mart towns rather than in London. The English merchants that had

⁴ The Company of the Merchant Adventurers of the City of York was a religious fraternity founded in 1357. However, by 1430 most of its members were textile traders, so they established a trading association alongside the fraternity (Merchant Adventurers' Hall, 2019).

⁵ Dating back as far as 1282, the also known as Merchants of the Staple is one of the oldest mercantile organisations in England. It is unique for being "of England" instead of being bounded to any city or municipality (The Company of Merchants of the Staple of England, n.d.).

established commercial relations with Spain and Portugal had no staple towns in the Iberian Peninsula comparable to Calais or Antwerp. Nevertheless, the places they had secured in this territory were of paramount importance for trade. A good example is Sanlúcar de Barrameda, the natural seaport of inland Seville. Located at the mouth of the Guadalquivir river, custom duties in Sanlúcar were far lighter than in the rest of Spain because the duchy of Medina Sidonia implemented a policy that aimed to encourage foreign merchants to do business there and settle in the port.

By 1530, the diplomatic relations between the two countries were worsening due to the religious changes that were taking place in England. Some of the leading English traders in the Iberian Peninsula asked Henry VIII for assistance, and he incorporated them under the so-called Andalusia Company. It only comprised merchants who traded with the south coastal area of Spain, so the extent of its powers was very limited. In fact, the Andalusia Company was not a true company, according to the definition that the word later adopted, and by the very end of the kingdom of Henry VIII it no longer had any real existence.

In spite of the lack of success of the project, the idea of a company kept being present throughout the difficult early years of Elizabeth's reign. One of these attempts sought to extend the grant not only to Andalusia but the whole country and the ports of Morocco. After 1573, Iberian trade was at its best, prospering and growing, and Queen Elizabeth I eventually granted the charter on 8 July, 1577 extending the area of jurisdiction to include the whole Iberian coastline.

The new company was supported by a big number of important merchants, as well as by the privy council. However, in less than two years since its foundation, the company was involved in disputes with the Merchants Adventurers, the outports and even the government itself. To all this should be added the fact that the company was in an increasingly anomalous situation: while at the time of its creation in 1517 it was openly catholic, it now comprised as many as two and three different religions.

6.2.2. 1585 – 1604: the Anglo-Spanish War

The situation in the Netherlands was getting more and more complex, and the chances of a direct conflict between Spain and England were certainly high. The year 1580 had a

very significant impact on Anglo-Spanish relations: among other things, piracy against peninsular trade was more and more frequent, and the Spanish Company itself was now trying to open direct commercial relations with Brazil, which only aggravated the already existing tension. Considering all the previous factors, the outbreak of a war was something unavoidable.

Whilst ordinary trade continued during that time, the truth is that it became increasingly complicated, and the circumstances forced several English merchants to gradually recall their goods and factors from the Iberian Peninsula. The situation reached its climax by March: with the intention of forming a new great army, English and French vessels were confiscated in Portugal and Spain; English ships were retained on Guadalquivir and the sailors and factors affected by the embargo were imprisoned. Even though this cannot be considered as a declaration of war, it only made peaceful trade between the two nations impossible (P. Croft, 1973a).

6.2.3. 1604: the renaissance of the Spanish Company

Many of the Spanish Company's members looked for other ways of making a living. Some of them entered other trades, as the Levant trad, and others kept in contact with Spain and Portugal by deceitful and fraudulent means. For example, they would disguise their vessels as neutral Scottish or Irish ships, or they would also send their goods to the Peninsula through the ports of Barbary and France.

Elizabeth I died in March 1603, and James I succeeded her to the throne. Philip III had also just inherited an empire riddled with internal tensions, and decided that continuing a long and costly war against England made no sense. Thus, the war ended, and commercial relations slowly began to resume its normal course.

The first moves that were made to re-establish the company cannot be determined accurately. Many of the most remarkable merchants gathered in London on 16 March, 1604. Nevertheless, despite the efforts they were making to restore calm to the commercial landscape, the situation was discouraging as England and Spain had not concluded any formal peace treaty, even though the war was over, and negotiations had not reached yet a more serious status.

6.2.4. 1605: the new charter

In 1605 a new constitution was granted by King James I. The new constitution of the Spanish Company contrasted in several points with the imperfect previous ones, especially in order to avoid conflicts with the outports in the future. This new charter demonstrates the government's approach to trading companies.

Considering the conflicts that had taken place previously with other merchants and companies, it became apparent that the Spanish Company had to be open to any merchant with legal commercial interests on the peninsula⁶.

The need to adapt to the changes that were taking place in international trade was becoming more and more evident, and indeed the Spanish Company carried out several intern reforms to adapt itself. However, some merchants were reticent about it, and this added to other difficulties simply led the Spanish Company to progressively dissolve. In this way ended the path of one of the pillars of trade between England and the Iberian Peninsula (P. Croft, 1973b).

⁶ In fact, the new charter of the Levant Company (December 1605) described the firm in a similar way: not as a monopoly, but as a union with terms and restrictions designed for the good of commerce (P. Croft, 1973b).

7. PORT WINES

7.1. CHARACTERISTICS

Port wine (*Vinho do Porto* in Portuguese) is part of the genre of wines known as “fortified wines”. The earliest recorded shipment of wine under the name of “Port wine” or “*vinho do Porto*” dates back to 1678 (Taylor’s, 2019b).

The main difference between Ports and other wines is to be found in the wine-making process: these wines were born in the sixteenth and seventeenth centuries, as a result of the addition of brandy to the wine during the fermentation process (Loureiro & Fernandes, 2011). In this way, the wine is fortified, achieving a wine resistant to the varying temperatures and humidity of the long maritime routes that the trade of that era imposed (EcuRed Contributor, 2013). This prevented wine from turning into vinegar (Ludington, 2013).

It has long been considered a great wine. Its history, tradition and extraordinary heritage have made of it a wine capable of adapting and renewing itself, attracting a new generation of consumers. The interest in the pleasures of food and wine that is rooted in culture has favoured the internationalisation of this product (Taylor’s, 2019f).

Port is a sweet, generally red, and fortified wine that is normally served as a dessert wine. All of its varieties have rich, intense and persistent flavours and aromas, with a high alcoholic content – between 19% and 22% vol. – (Wines of Portugal, 2010b). One of the aspects that differentiates Port from any other wine is the high quality of the blend of Portuguese indigenous grapes. There are said to be around 52 varieties; some of the most important are *Touriga Nacional*, *Touriga Franca*, *Tinta Barroca*, *Tinta Roriz* and *Tinta Cão*. All of them present unique characteristics that result in extraordinary wines whether they are blended (more traditional) or mono-varietal (Puckete, 2018).

7.1.1. The fortification

In the second half of the eighteenth century the fortification was introduced to the production process, something that turned Port into the famous fortified wine that it is nowadays. It is curious and worth mentioning that in the early decades, most of the Port

wine production was not fortified; the practice of adding brandy before the fermentation was over is nowadays an essential part of the process, but it was rarely followed in the early part of the eighteenth century (Taylor's, 2019b).

Through the addition of 77° brandy, the sugar that does not become alcohol remains in the wine, giving it its characteristic sweet taste, and increasing the alcohol concentration. Then they are aged in oak barrels called *pipas* of 535 litres. Depending on the time they remain in the barrel, different qualities are obtained (EcuRed Contributor, 2013).

Fortification became more frequent as time passed by, and it was almost universally practiced by the 1840s as it produced stronger, sweeter and more aromatic wines that would be very attractive to the English consumers (Taylor's, 2019e). Even so, not all merchants implemented this procedure, and it was not until the late nineteenth century that the method was fully adopted (Taylor's, 2019c). Although today it is one of its main signs of identity, it took many years of refinement and the constant investment of foreign capital (mainly English) to develop it (Ludington, 2013).

7.2. MAJOR TYPES OF PORT WINE

According to the *Instituto dos Vinhos do Douro e Porto*⁷ there are three main categories of Port wine:

a. Ruby wines: matured in bottle.

- **Ruby:** of violet colour, it is the sweetest and most fruity of the Port wines. It has spicy and red fruit tones, being the result of the mixture of several harvests and two or three years of aging in large oak barrels. Due to the limited contact with the wood and the scarce oxidation, they preserve a good part of their primary aromas (Romero, 2017).
- **Ruby Reserva:** it is more robust and concentrated than regular Ruby, and it is made from a high-quality harvest. It is possibly the cheapest option to discover how a Vintage Port might be like (Mendes, 2015).

⁷ Influential organisation created in the early 1930s in order to integrate the interests of the actors involved in the Port wine industry (Instituto dos Vinhos do Douro e Porto, 2019a).

- *Crusted*: these wines are unfiltered, so the dregs form a crust at the bottom of the bottle. They are intense and concentrated, like the Vintage, but more similar to the Late Bottled Vintage, although the Crusted mix different harvests (Romero, 2017). All of this makes it an unusual wine, difficult to find, and from the point of view of stabilisation, it is the purest of the Ports (Martínez-Dueñas, García, & Rodríguez, 2003).
- *Ruby ports with vintage year*:
 - *Late Bottled Vintage (LBV)*: late bottled wines with higher concentration than the Ruby Reserva. They are made from a single harvest and bottled after four or six years aged in wood (Romero, 2017). It is a relatively recent wine, as its journey began in the 1960s. It has features similar to the Vintages, especially in terms of colour and tannins. There are currently two types of L.B.V.: those in which the wine is filtered and those in which it is not, the latter being commonly labelled as “traditional” (Martínez-Dueñas et al., 2003).
 - *Vintage*: it is the most complex of all the types we can find, and the Port par excellence, as recognised by the Cámara de Provedores del I.V.D.P. (Martínez-Dueñas et al., 2003). Made from one single harvest, it is aged in wood for about two years. After that period, the quality of the wine is evaluated; if it passes the test, it is bottled unfiltered and continues to age in the bottle for more than 20 years. They are only produced in the best vintages, and must be decanted before served in order to separate the sediments (Romero, 2017).

Figure 1; 7.2.1. Evolution of Port wine glass bottles



Source: (The Academic Wino, 2014)

The evolution of the shape of the glass bottles had a very important impact on Port wine. In the early eighteenth century, the bottles could not be set sideways as they had short necks and broad bottoms. With the passage of time and the increasing sophistication of production techniques, the shape of the bottles became elongated. By 1770, the bottles had the ideal size to be laid and stored on their sides. This evolution of the materials favoured the

birth of Vintage Port, as in this way the wine could be stored and aged in the cellar (Taylor's, 2019a).

These are very colourful wines, dense in body and with a great aromatic concentration. Vintages come always from a specific harvest and they are not produced every year. According to the tradition, it takes two winters and a summer to know how the wine will perform, which is the usual period of time for houses to decide whether or not to make a Vintage declaration in a given year. The important thing here is the style of the house: it is in this type of wines where the peculiarities of each brand are most perceived.

Strangely enough, from the point of view of what percentage the Vintages suppose for the figures of the brands, within the volume of each firm, they do not usually represent more than 5% of the Port wines sold by exporting houses. The Vintage effect is essentially an image effect (Martínez-Dueñas et al., 2003).

- *Vintage Single Quinta*: this type of Vintage is truly exceptional in the sense that it comes not only from a single harvest but also from a single wine state or quinta (Instituto dos Vinhos do Douro e Porto, 2019b). This type of wine does not have the characteristic durability of classic Vintages. The main difference between Single Quinta and Vintages is marked by the specific origin of Quinta wines, which means a smaller range of senses than a Vintage can show (Martínez-Dueñas et al., 2003).

b. Tawny: matured in wood.

- *Tawny*: brownish and pale in colour, Tawny wines are silky and complex. They are usually left to mature between 5 and 40 years. Due to their ageing in pipes (550 litre barrels), their flavour is fruity and less intense than others (Romero, 2017). During the ageing process the oxidation is forced in order to give the wine a golden colour (Wines of Portugal, 2010b).

- *Tawny Reserva*: this Port belongs to a transitional category between a regular Tawny and a 10-year Tawny, since it has been ageing for a minimum of six years in oak (Instituto dos Vinhos do Douro e Porto, 2019b).
 - *Tawny 10, 20, 30 or 40 years old*: the age declared on the label does not apply to these wines. For example, a 20-year old Tawny may include vintages younger than 20 years. These wines have a complicated terminology and are impossible to classify or explain with common terms for all of them. Furthermore, we should also bear in mind that only the houses know the mysteries of their elaboration, and therefore the characteristics of each one are emphasised.
 - *Garrafeira*: it is kept in barrels for seven years, and once the oxidation process is finished, the product is transferred to glass bottles (*garrafas*) which, once sealed, are kept in the cellar for decades. For some experts, Garrafeiras are located between an old Tawny and a L.B.V. The only brand that elaborates and commercialises them is Niepoort (Martínez-Dueñas et al., 2003).
 - *Colheita*: smooth and silky, its minimum ageing time is 7 years, with some of them reaching up to 30 years of maturing in wood. These wines have a relatively short life span, and they are Tawny wines from a single vintage rated as excellent by the Port Wine Institute (Romero, 2017). While the Colheita ages, its fruity and fresh aromas oxidise and turn into a group of aromas of dry fruit, wood and spices (Wines of Portugal, 2010b).
- c. ***Branco*s – *White*s**: white Port is more unusual and also sweeter, although less than Ruby Ports. They are consumed mostly in Portugal and exist both in young and older versions, the latter having a golden colour (Romero, 2017). They have aromas of nuts and citrus, and they differ in ageing period and sweetness according to the method that has been used to make them (Loureiro & Fernandes, 2011). According to this last characteristic, white Ports have four categories: *extra seco*, *seco*, *doce* and *lágrima* (Wines of Portugal, 2010b).

7.3. HISTORY OF PORT WINES

The English merchants were the ones who popularised wine worldwide. From the beginning, many of them imported English textiles and cod from Newfoundland to Portugal, so they settled in Porto and soon became familiar with Portuguese wines.

The range of activities performed by the Englishmen established in Porto was extended to several European, Mediterranean and American ports. As for continental Portugal, English ships often first entered through Viana do Castelo, where they would leave part of the cargoes, loading other goods and then heading to Porto. On other occasions, especially when maritime conditions made it necessary to protect the vessels, many of them were shipped from Porto to Lisbon, performing the same loading and unloading processes before returning to Porto (Barros Cardoso, 2003).

Between 1679 and 1685 England banned the import of French wines, and between 1702 and 1714 the Spanish Succession War took place. It was during these years that Portuguese wines became increasingly famous, especially those from the Douro region (EcuRed Contributor, 2013).

Port wine soon began to distinguish itself from the rest of the Portuguese wines. The business relationship between England and Portugal became so profitable and competitive that attempts were soon made to disguise inferior quality wines as Port wine. This prompted the Marquis of Pombal to create in 1756 the General Company of Agriculture of the Wines of the Upper Douro, defining the area of production of authentic Port wine – the same official limits that have been preserved to this day – (EcuRed Contributor, 2013). This initiative also regulated wine production and guaranteed a minimum price for viticulturists, putting an end to English abuses.

Many of the companies that were founded at that time are still operating today, as it can be seen from the British names that embellish many of the Port bottles (Romero, 2017).

Figure 2; 7.3.1. Labelling of a Graham's bottle of Vintage Port



Source: (The Vintage Port site, 2017)

7.3.1. The genesis of Port wine

Exports of Portuguese wine to England would be favoured by a series of events played out in 1667. Louis XIV's first minister, Jean-Baptiste Colbert, restricted the import of English products into France. This measure only provoked Charles II of England into incrementing the duty on French wines and later prohibiting their import, thus forcing the English to look for other alternatives for their wine trade (Burton, 2012).

As the wine business was growing rapidly in Portugal, the English merchants at Viana do Castelo took this great opportunity. They soon realised that the wines made in the humid coastal area of Minho river were not to the liking of the British, since they were thin, astringent and often unstable. This fact made them take the decision of exploring inland, finding the more robust and full-bodied wines from the rocky hills of the upper Douro Valley.

The conditions of the terrain and the long distances made it almost impossible to transport overland the wines from Douro to Viana do Castelo, hence they had to carry them down the Douro river by boat, to the coastal city of Porto. Ships would later transport them to England. All these facts led the English merchants of Viana do Castelo to settle in Porto in order to carry out their business, and by the end of the eighteenth century most of them had done so (Taylor's, 2019b).

7.3.2. The eighteenth century

The eighteenth century was marked by an increase in exports of Port wines, especially in the second half of the century. The signing of the Methuen Treaty in 1703 boosted the sector by giving Portuguese wines imported into England more favourable conditions than those applied to French wines. We should not forget that Port wines were much more to the taste of English consumers than other Portuguese wines, such as the reds from Minho, and because of the great importance of the English market, British merchants always predominated over others.

Despite the benefits of this period of great prosperity, a rapid growth in demand soon led to commercial speculation and fraudulent practices. In addition, new problems arose in the 1750s, when the demand for wine declined sharply and there was excess production in the Douro region (Taylor's, 2019i).

7.3.2.1. The Marquis of Pombal

Sebastião José de Carvalho e Mello, commonly referred to as the Marquis of Pombal, ruled Portugal during the eighteenth century. His influence and power were strengthened by the way he intervened to restore order after the catastrophic earthquake in Lisbon, and he is known as well for the measures he took concerning the Portuguese wine industry.

The Marquis of Pombal imposed state control over the Port wine trade through the creation of the *Companhia Geral da Agricultura das Vinhas do Alto Douro*, that would later be known as the *Real Companhia*. This company had the monopoly of the trade with England and Brazil, as well as the production and commercialisation of brandy in northern Portugal. The English soon manifested their disagreement with these measures, but Pombal ignored them and accused them of “treating Portugal as a petty Republic and

not as a Kingdom that had an indispensable right to make its own domestic laws” (Ludington, 2013, p. 49).

In 1756, the demarcation of the Port winegrowing area was initiated – this did not happen on a specific date, but developed over several years, between 1757 and 1761 – (Martínez-Dueñas et al., 2003). A year later, the first complete classification of the vineyards was carried out, almost a century before the similar classification that would be conducted in the Bordeaux vineyards. Farmers who made the best wines – *vinhos de feitoria* – were allowed to sell them for export at a higher price, while those of more modest quality – *vinhos de ramo* – could only be commercialised on the domestic market. The elderberry tree was also eradicated within the demarcated area in order to prevent one of the most common abuses from being committed⁸.

All the measures taken were unpopular at the time, but they led to an improvement in the quality of Ports and set the beginning of a new era of prosperity for producers and exporters. These rules laid the foundations for the current legislation, one of the most complex of all the legislations of traditional winegrowing regions (Taylor’s, 2019i).

These contributions have achieved both reputation for the region a distancing of the product by the public, as it is difficult to reconcile the aristocratic and selective condition of these great wines with the expectations of growth of average products. However, there is agreement among experts that without the creation of a controlled area, it would not have been possible to ensure that the necessary raw materials came exclusively from the best area of the Douro Valley (Martínez-Dueñas et al., 2003). There is no doubt that these measures have had beneficial effects, especially on the quality of Ports exported to the United Kingdom and the quality of Port wine in general (Ludington, 2013).

Currently, the region has a larger extension than that established during the time of Pombal (Martínez-Dueñas et al., 2003).

⁸ On occasion there were producers who added elderberries to poor-quality wines to give them colour, improve their appearance and make them look like Ports (Taylor’s, 2019i).

7.3.3. The nineteenth century

This was a turbulent century for Port wine industry, with prosperous periods followed by severe crises. For example, shipments to Brazil increased substantially, the product reached markets such as Russia, Germany or the United States, and Port wine was firmly established in the customs of the British.

However, despite the prosperity of the business, conflicts soon followed. The first major problem came with the wars in the Iberian Peninsula and the arrival of Napoleon's army in Lisbon, followed by the occupation of Porto. Port wine trade halted until the conflict ended in 1814. British shippers settled in Portugal fled the country, abandoning their businesses and making it impossible to ship any wine during this period. This conflict was followed in the 1820s by the Liberal Wars of the War of the Two Brothers, between the absolutist King Miguel and his constitutionalist brother Pedro.

The civil war severely affected wine trade, especially during the siege of Porto, and the end of such conflict set the star of one of the most prosperous periods in the history of Port wine trade (Taylor's, 2019e).

7.3.3.1. *The phylloxera crisis*

There has been a lot of speculation about the introduction of phylloxera in Europe, and we now know that it hit several points at once, such as France, Portugal, Germany and Austria. This was a consequence of the importation in 1856 of American vines resistant to *oidium* (a vine fungal disease), vines that contained a series of yellow bugs that fed on the sap.

The spread of the plague throughout Portugal was relatively slow, reaching first the vineyards of Setubal and then those of Evora (Piqueras Haba, 2010). The European vines were not immune to *oidium*, unlike the American vines. Insects penetrated the roots of the vine, deforming them until it was impossible for them to absorb any water or nutrients from the soil, so they would dry up and die.

It is believed that the phylloxera reached the Douro Valley in 1868, hitting first the eastern region, birthplace of the best Ports. The plague brought severe losses; yields dropped

sharply, causing a wine shortage that in turn increased prices. It took a long time to find a solution, and by the time it arrived, many producers had gone bankrupt, forcing them to abandon their land (Taylor's, 2019g).

7.3.4. The twentieth century

By the last decade of the nineteenth century Portugal began to recover from the devastation caused by phylloxera, and Port wine trade returned to prosperity. From the 1880s to the 1920s, consumption of Port wine increased intensely, even during the First World War. The product was gradually exported to other countries such as Denmark, Norway or the Netherlands, thus becoming important markets.

The Great Depression of 1930 had a negative impact on sales, but by the second half of the decade the situation was re-established. In France, the youngest wines matured in wood grew in popularity. For the rest of the twentieth century, France remained a fundamental market for the Port wine industry, later becoming one of the most important markets in terms of volume.

In the United Kingdom, the interest in Vintage Port began to grow again. It was at this time that an extraordinary series of Vintage Port was produced, which helped to consolidate the prestige and renown of the main Port wine houses, such as Taylor's, Fonseca and Croft. In addition, these wines boosted the recognition of these historic brands, an important advantage in the post-war wine market, very sensitive to brand image.

The 1990's was a very favourable period for the sector: the presence of special categories increased significantly, the markets of countries such as the United States and Canada were strongly developed... in addition to all this, there was an increase in direct exports to the countries that at the time were just entering the European Union, as in the case of the Czech Republic or Hungary (Martínez-Dueñas et al., 2003). The success of the business increased the capital of the wine producing houses, allowing them to develop new production methods and improve the style and quality of their wines (Taylor's, 2019d).

7.3.5. Commercial agreements

There are two important treaties that marked the political and commercial relations between Portugal and England from the beginning, apart from being a definitive element for the development of Port wine industry as we know it today.

7.3.5.1. *The Treaty of Windsor (1386)*

It could be said that the origins of this treaty can be found in the confusing policies of the fourteenth century, in the context of the so-called unions between nations of unequal powers (Vale, 2006). The continued commercial relationships with England favoured the signing of an Anglo-Portuguese alliance against Castile that was reinforced in 1386 with the treaty signed in Windsor by Richard I of England and D. João I of Portugal. Needless to say, this permanent union with the English was especially important for Portugal, as it ensured its own survival against the constant threat of Castile (Vigil Montes, 2019).

England was in a period of frequent conflicts with France, which turned the country into a regular consumer of Portuguese wines as it was very difficult to access the French ones. Even though much wine was exported from Lisbon and surrounding areas, the Treaty of Windsor considerably increased the import by the English of wines from the north of Portugal – these being dispatched from the port of Viana do Castelo –, especially those red, light and high-acid wines (Wines of Portugal, 2010a).

7.3.5.2. *The Methuen Treaty (1703)*

Even though the Treaty of Windsor of 1386 is the pillar that supports the oldest alliance established between Portugal and any other country, and it led to the rise of Port wine and the transformation of the Douro region into one of the most remarkable wine regions in the world, it would not be too risky to say that the Methuen Treaty had an even greater impact on this historic journey (Fonseca Porto, 2012). Not so many treaties are remembered after 30 years, let alone commercial treaties, but the truth is that this one influenced both Anglo-Portuguese and Anglo-French relations throughout the eighteenth and early nineteenth centuries (Duguid, 2003).

The agreement signed in 1703 between Portugal and England stipulated that the tariffs imposed on Portuguese wines would be reduced in return for the abolition of Portuguese limitations on English wool (EcuRed Contributor, 2013).

The wars between England and France led the English government to impose restrictions on French wine. Generally, as the English really enjoyed alcoholic beverages, any agreement that ensured cheap wine would have been celebrated. However, those aforementioned prohibitions diminished the immediate value of a treaty that taxed Portuguese wines less than the French, and the truth is that, at first, the English government did not give importance to trade with Portugal, which was a big mistake.

England and France tried to resume trade relations through the signing of the Peace of Utrecht (1713 – 1715), but in the end this did not happen, and the Treaty of Methuen acquired more influence in 1713, when it was saved from being forever forgotten (Duguid, 2003).

With this treaty the Portuguese were forced to import manufactured products from England, which was detrimental for Portugal's industrial development. However, it should also be noted that apart from satisfying the interests of those involved in the wine sector, the import of English fabrics was of interest to the Portuguese upper-middle classes: after pressing the Crown on numerous occasions, by the end of the seventeenth century, Portuguese merchants obtained import duties on these goods (Juvenal Costa & Luiz Menezes, 2012).

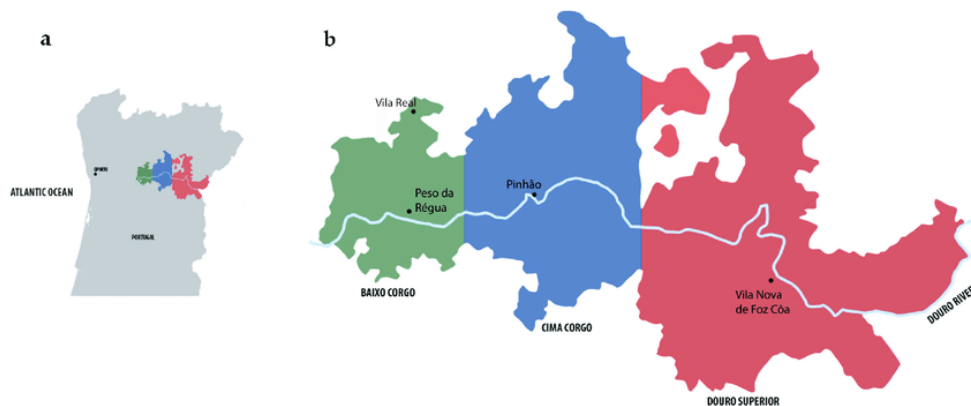
The main target of the treaty was not really the Portuguese, but the Port wine industry and the *Companhia Geral da Agricultura das Vinhas do Alto Douro*, which had until that moment exercised a strong control over the wine sector. The favourable position of Porto on the Atlantic Ocean, added to the development of maritime trade, had drawn the attention of English merchants to Port wine for many years, but given the conditions at that time, this interest had become more evident (Livesey, 2015).

7.4. THE PRODUCTION AND EXPORT NETWORK

There is a total of 14 wine regions in Portugal. The production framework of Port wines is the Região Demarcada do Douro. With some 85,000 vineyards that cover an area of 33,000 hectares, it accounts for a quarter of all the Portuguese wine production, and it is the oldest demarcated region in Portugal (Instituto da Vinha e do Vinho, 2013). In this section we will focus on two specific areas: the Douro wine region (Douro Valley) and the Greater Porto region (Porto and Gaia).

The Douro Valley, the demarcated region, where the vines are grown, is divided in three sub-regions: Baixo Corgo, with the highest density of vines, it is the dampest and most fertile; Cima Corgo, where the highest-quality vineyards can be found; and Douro Superior, the wildest and driest area, with hot summers and very cold winters (Terras de Portugal, n.d.).

Figure 3; 7.4.1. Map of the Douro Wine Region



Source: (Research Gate, 2018)

It is in the Porto suburb of Vila Nova de Gaia where wine is traditionally matured, bottled and exported, although this custom is no longer legally binding, as it was at the time⁹. The main reason why Port is not usually matured in the Douro Valley has to do with its climate. In fact, the region is very hot in summer and very cold in winter, something that makes it an inadequate location for ageing the wine, as it needs a more stable climate. In

⁹ Until 1986, the national regulations stipulated that all Port wine had to pass through Vila Nova de Gaia's warehouse before they would be exported, thus shippers had the monopoly over Port exportations. These rules had to be amended when Portugal joined the European Union in 1986, as it was incompatible with the free trade policies of the Community. Nevertheless, tradition rules, and it is generally in Gaia where the firms maintain their presence and their historic wineries (Melo Brito, 1997).

contrast, as Vila Nova de Gaia is situated close to the sea, its temperature climate is better for extended periods of storage (Melo Brito, 1997). Most of the production houses maintain their historic facilities in front of the city of Porto¹⁰ (Martínez-Dueñas et al., 2003).

Each of the regions involved in the production of Port wine has a specific function. This is the only way to ensure the correct production of the wine according to the standards set. We must keep in mind that these two regions we have different socio-economic structures, and the wine industry is partially responsible for this situation. The location, the specialised services and innovation funds play a very important role as well.

The entrepreneurial culture fostered by the presence of English merchants in Greater Porto and its good location led to the establishment of the firms' headquarters in Porto and Gaia. The legislation until 1986 stipulated that wines had to be exported from Gaia, which protected and favoured the Greater Porto economy in detrimental to the Douro Valley economy. This situation accentuated the disparity between the two regions: a region with intensive agricultural activities versus another area dominated by secondary and tertiary services and technological progress.

This imbalance has been corrected in part thanks to technological innovation, new marketing strategies and the development of new projects such as oenotourism and guided tours around the Douro Valley terraces and vineyards. Despite all this, the economies of the two regions are still very different, with a greater concentration of population and skilled jobs in the *Greater Porto* region (Ferreira, Ramos, Cruz, Barata, & Lahr, 2018).

7.5. BRANDS

Companies and brands are not independent bodies, in order to perform correctly they have to interact with diverse entities. This interaction process usually leads to the emergence of stable and lasting relationships (Melo Brito, 1997). And such has been the case in the Port wine industry. Over the past few years, certain trends have intensified: the ownership

¹⁰ The city was for many years one of the principal hubs for maritime commerce in Europe. Later on, its industrial activity regarding the exportation of Port wine has earned it recognition at an international level (Shehadi, 2019).

has concentrated in the hands of a few big firms, and some multinationals linked to the drinks trade have purchased some shipping-houses.

Figure 4; 7.5.1 Mergers and acquisitions in the Port wine sector

Year	Acquired firm	Acquiring firm	Country of acquiring firm
1960s			
1961	Cockburn	Harvey's (Allied Domecq)	United Kingdom
1961	Martinez Gassiot	Harvey's (Allied Domecq)	United Kingdom
1962	Offley Forrester	Sandeman	United Kingdom
1970s			
1972	Croft Delaforce	Grand Metropolitan	United Kingdom
1975	Gran Cruz	La Martiniquaise	France
1978	Rozès	Moët Chandon (60%), Taylor (40%)	France
1980s			
1980	Sandeman	Seagram	Canada
1983	Offley Forrester	Bacardi-Martini	Bermuda
1987	A. A. Ferreira	Sogrape	Portugal
1987	Rozès	Louis - Vuiton/Moët Hennessey	France
1990s			
1990	Adriano Ramos Pinto	Roeder	France
1990	Quinta do Noval	Axa	France
1996	Offley/Forrester	Sogrape	Portugal
1999	Burmester	Amorim	Portugal
1999	Rozès	Vranken	France
1999	Calém	Caixa Nova	Spain
1999	Quinta do Ventozelo	Proinsa	Spain
2000s			
2002	Sandeman	Sogrape	Portugal
2002	Croft Delaforce	Taylor and Fonseca	Portugal
2005	Burmester	Caixa Nova	Spain

Source: (da Silva Lopes, 2005)

Many brands and wineries in Portugal have been acquired by companies from other countries, especially the United Kingdom, France and Spain (Port Wine Country, 2016). The changes in the alcoholic beverage industry over the last decades have fostered a large number of mergers and acquisitions in Port wine companies, especially by foreign firms (Rebelo, Correia, & Vaz Caldas, 2007).

Apart from this, there is also an independent sector that comprises almost forty firms, most of them owned by British families. Many firms such as Sandeman or Croft were founded by English merchants that settle in Porto. The most relevant cases, classified by origin, are listed below:

- British sector:
 - Symington Family Estates: run by the 4th and 5th generation of a family of English and Portuguese origins. This group is one of the top producers of premium Port in the world, and owns remarkable brands such as Graham's, Dow's, Warre's, Cockburn's or Quinta do Vesuvio (Symington Family Estates, 2019).
 - Taylor, Fladgate & Yeatman: this partnership also specialises in the production and commercialisation of the finest quality Ports. The group is also implementing activities related to tourism and the direct distribution of its products. Some of its most famous brands are Fonseca, Fonseca-Guimaraens, Taylor, Krohn, Croft (The Fladgate Partnership, 2019).
- Portuguese sector:
 - Real Companhia Velha: it is one of the oldest wine companies in Portugal, and it exports around 65% of its production (Real Companhia Velha, 2014).

Since the English “discovered” Port, they were perfecting its production, hence many Ports – especially the best ones – have English-sounding names, as those previously seen. (Hewitt, 2019) The main difference between the two nationalities has to do with the way they orientate their marketing strategies. There is a clear difference between their target markets and the markets in which they operate:

- British shippers and brands dominate the after-dinner segment; this means that they have the control over the best quality and most prestigious brands, since these factors are very important for consumers when it comes to buying Port wine.

The United Kingdom is the biggest market for premium Ports – one-third of the total consumed corresponds to special categories of Port –, but there is an increasing trend over lighter Ports. The prices of the wines purchased in this sector are generally 30% higher than the average prices of the Ports exported to France and Belgium.

The United States, Italy, and Asia in general are other two markets that have grown in importance in recent years for British shippers (Melo Brito, 1997).

- Traditionally, Portuguese brands have always had a strong position in France and Belgium, where people buy Port mainly as an aperitif. In both cases, consumers have little brand awareness (or they do not have it at all), hence they are generally interested in young and cheap Ports.

Within the national market, the majority of consumers tend to purchase Ports of a standard quality, although they are increasingly buying better quality Ports.

During the 1960s, many big companies invested in the Port wines business. However, this industry entails many difficulties, including the strict control of the quality of the grapes. It should also be noted that the return on capital of this sector is very low compared to that of other alcoholic beverages such as vodka. All these factors led to most of the aforementioned multinationals to divest the Port wine industry in the beginning of 2000s. Nevertheless, the presence of English companies remains strong, and Portuguese companies are becoming more and more involved in consolidating their leadership in the domestic market (Rebelo & Correia, 2008).

7.6. EXPORTS

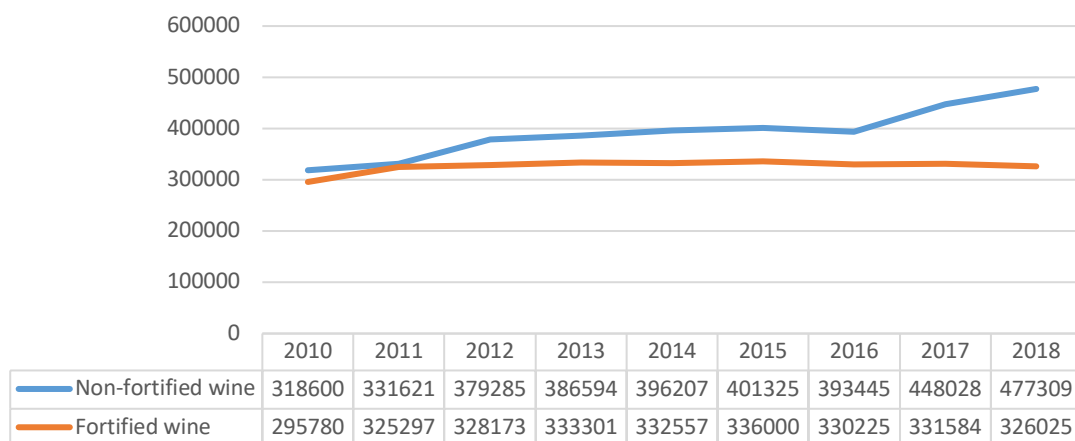
Thanks to the refinement of the processes and the promotion of the industry by these English and Portuguese families, Portuguese wines have been favoured over the years. It is necessary to emphasise the existence of two main types of wine: non-fortified and fortified wines. Since Port wine, subject of this work, falls into the latter category, in this section we will carry out a deeper analysis of the exports of fortified wine, specifically Port wine. We will focus on the overall performance of exports during the last decade, analysing the years 2008, 2017 and 2018.

The winemaking sector has an important socio-economic impact in the country, contributing considerably to the national volume of exports and preserving different wine-related activities. A good example of this is oenotourism: Portugal has always known very well how to attract tourists, especially English. However, we should not forget that these English consumers purchase Port wine at the domestic market, but

because they do not speak Portuguese, they buy English brands familiar to them (Fraga, García de Cortázar Atauri, Malheiro, Moutinho Pereira, & Santos, 2017).

By 2018, 78% of the wine exported by Portugal was non-fortified, and the remaining 22% was fortified wine. In terms of volume of exports by hectolitres, non-fortified wines have a considerable advantage over fortified wines. However, if we look at the economic performance resulting from these exports, export earnings from fortified wines are high and have remained incredibly stable over the years. In fact, compared to the volume of sales, it could be said that these generate more income; much more non-fortified wine is exported, but the income from fortified wine is simply slightly lower than the earnings for non-fortified wine (in terms of monetary value of exports, 41% corresponds to the sale of fortified wines, compared to 59% of non-fortified wines.)

Figure 5; 7.6.1. Portugal Wine Exports (M€)



Source: own elaboration based on Wines of Portugal (2019)

The Port wine industry has played a fundamental role in the Portuguese commercial structure over the last three centuries. From the middle of the seventeenth century until the Second World War, it has been one of the main sources of income for Portuguese overseas trade (Martínez-Dueñas et al., 2003). Port wine represents Portugal internationally, and it occupies a positive position in the wine industry due to its exceptional quality (Loureiro & Fernandes, 2011).

As we have already stated, the production of Port wine plays a fundamental role in the Portuguese economy, and analysing the volume of sales of this product is a good way to see the influence it has on the industry, at both national and international levels.

In general terms, consumption of Port wine expanded significantly in the last decades of the twentieth century, both inside and outside Europe. The country that has imported the most Port wine in recent years has been France. There are several reasons that may explain this phenomenon, but it is mainly understood that France is importing Port wine either to compete with other major importers (the United Kingdom, Germany or Portugal itself) or because French cognac manufacturers use Port wine to strengthen their drinks and increase the graduation.

Table 1; 7.6.2. Port wine sales to France, Portugal and the United Kingdom (2008, 2017, 2018)

PERIOD	2008		2017		2018	
COUNTRY	Litres	€	Litres	€	Litres	€
France	24.231.632	86.472.136	18.948.549	70.932.244	18.353.987	69.221.883
Portugal	12.505.875	59.392.977	12.695.444	73.710.043	12.920.060	71.717.643
United Kingdom	8.961.000	39.386.675	9.107.440	49.520.315	7.316.958	41.842.871
TOTAL	45.698.507	185.251.788	40.751.433	194.162.602	38.591.005	182.782.397

Source: own elaboration based on Instituto dos Vinhos do Douro e Porto (2018)

The table above shows that the United Kingdom imports the best Port wine. It remains loyal to Portugal and continues to be one of the main importers (in the end, the vast majority of the factories in Porto are still owned by English families). Moreover, as we have already seen, the favourable conditions given thousands of years ago (e. g. the Treaty of Methuen) prevail, resisting the changes that have taken place in our era, such as Oliveira Salazar's dictatorship or Portugal's entry into the European Union.

In terms of imports, the biggest importer by value is the United Kingdom, followed by the United States and Germany. If we talk about the volume of the exports by litres, the ranking would be the following: Germany, France, the United Kingdom and the United States. Additionally, the improvement of the standard of living in Portugal has favoured an increase in the consumption of Port wine. Although the volume in litres has remained more or less constant, the monetary value has increased, since better quality Ports are being purchased by the Portuguese. This trend is also related to the improvement of purely

national Ports; the few remaining Portuguese companies are determined to dominate the domestic market (Rebelo & Correia, 2008).

Despite the traditional factor that dominates Port exporting panorama, we can also observe new trends, as it can be observed in North American countries, with the United States and Canada as the main importers. Emerging markets such as Latin America and Asia¹¹ are starting as well to discover the attractive aspects of Port wine (Taylor's, 2019f).

Table 2; 7.6.3. Port wine sales to Canada, China and USA (2008, 2017, 2018)

PERIOD	2008		2017		2018	
COUNTRY	Litres	€	Litres	€	Litres	€
Canada	1.845.313	15.034.074	1.284.171	12.225.121	1.265.490	11.774.633
China	19.222	152.832	205.719	1.409.325	206.502	1.391.593
USA	3.710.963	24.683.194	3.653.228	33.465.836	3.610.148	34.392.831
TOTAL	5.575.498	39.870.100	5.143.118	47.100.282	5.082.140	47.559.057

Source: own elaboration based on Instituto dos Vinhos do Douro e Porto (2018)

We could even talk about the rebirth of old consumption patterns. In recent years, the Netherlands and Denmark have returned to import Port wine to a large extent, and assuming substantial trade volumes.

Table 3; 7.6.4. Port wine sales to Denmark and the Netherlands (2008, 2017, 2018)

PERIOD	2008		2017		2018	
COUNTRY	Litres	€	Litres	€	Litres	€
Denmark	19.222	13.590.627	1.556.687	13.428.571	1.758.267	15.330.518
The Netherlands	13.590.627	48.049.647	10.716.523	42.118.311	9.087.372	37.042.202
TOTAL	13.609.849	61.640.274	12.273.210	55.546.882	10.845.639	52.372.720

Source: own figures based on Instituto dos Vinhos do Douro e Porto (2018)

Approximately 90% of the Port produced is destined for export. Since the Second World War, production and exports increased, market prices stabilized and there was a slight increase in wages paid to farmers, which had truly positive economic effects in the Douro Valley (Rebelo & Correia, 2008).

¹¹ As for Asia, China is likely to replace the United States by 2030 as the biggest economy. This would lead to a shift in economic power and illustrates the growth opportunities from which countries such as Portugal might benefit (PWC Cape Town, 2015). Nevertheless, America is still a big market for Portugal. In general terms, the European Union exports 2,000 million euros of wine to the United States each year, of which Port wines represent 25% in volume and 40% in value (Rebelo & Correia, 2008).

Although Port exports are, on the whole, at a very favourable position, in recent years competition from countries such as Chile, South Africa or Australia has been constantly rising. To all this we should also add the fact that the total vineyard area has lowered considerably in recent years. In the case of Portugal and other European countries such as Spain, France and Italy, it has been especially noticeable¹². On the contrary, Asian plantations are experiencing a continuous expansion. However, Europe holds more than half of the world's vineyard area, even though the Community authorities have developed practical measures to reduce it and end with wine surpluses (Vinetur, 2012).

7.7. HUMAN RESOURCES

Port wine is truly “a collective cultural heritage of work and experience, art and skill accumulated over generations” (Loureiro & Fernandes, 2011, p. 2). The Port wine industry is a very interesting case since technological advances are not considered as important as organisational advances. This is because it is an economic activity strongly ingrained in a well-structured social system, with a strict control that plays a very important role in the whole process. However, as the country relies on a production system based on a large number of grape growers, medium-sized firms and a strict public regulation, the globalization of the wine industry provides a great opportunity of innovation (Rebelo & Caldás, 2013).

Although in general many factors are involved in the production of wine, the traditional procedures have changed over the years, especially due to the emergence of new types of actors and vertical integration processes. In the case of Port wine there are only four categories (Martínez-Dueñas et al., 2003):

- *Independent farmers*: we can find three types of farmers. There are small and very small farmers who do not own facilities for winemaking, so generally they just sell their grapes; medium and large-scale farmers who produce wine in their own wineries; and absent businessmen that usually live in Porto or Lisbon.

¹² According to PORDATA, a certified database of statistics of Portugal, in 2008 the vineyard area in Portugal was 185,028 hectares. Ten years later, the same vineyard area accounts for approximately 176,805 hectares (PORTDATA, 2019).

It is not unusual to find farmers who own high quality vineyards and have maintained long-term relationships with shippers for generations, these being based on non-written contracts and trust (some of these relationships reach more than 120 years). Approximately more than half of the farmers sell their production to shipping-houses.

- *Wine cooperative societies*: these entities appeared in the early 1950s. In the majority of the cases, the Government promoted its creation through loans at low interest rates. In this way, farmers benefited from economies of scale and more efficient equipment.

The biggest problem with wine cooperative societies come from the unstable relationship between them and the grape-growers: farmers do not really care about the quality of the grapes they produce. From their point of view, their responsibility ends when they take their grapes to the cooperatives and are remunerated in return.

- *Shippers*: shippers own a huge number of large estates in the Douro Valley. However, only approximately 10% of the wine is produced in these places: the best quality wines (Liddell & Price, 1992). This system allows the shippers to verify the quality of their wines since they are well aware of all the steps involved.

Many of the shipping-houses are owned by descendants of British merchants that settled in Porto in the eighteenth century. They tended to operate in family networks based mainly in London, with the shipping premises in Porto and the distribution channels located in the target countries. The maintenance of winemaking activities in such old families represents one of the key factors of the Port wine industry: stability. However, shippers and producers have also proved their great capacity to adapt to changes of all kinds – economic, social, political or even environmental – (Rebelo & Correia, 2008).

- *Distributors*: countries that produce wine with mass-production techniques (for example, some emerging economies) depend to a larger extent on big retail firms to distribute their product than those traditional wine producers, as pointed out by Bernetti, Casini and Marinelli (2006). In the case of high-quality Ports, they use distributors specialised in the sector.

The role of each of the regions involved in the production of Port wine can be perfectly identified. The general scheme regarding the human resources of the industry is the following: in the Douro region have always predominated low-skilled workers in grape harvesting, poor working conditions and low wages¹³. In contrast, the Greater Oporto region concentrates most of the skilled work, dominated by the secondary and tertiary sectors.

Although this is a stable industry, over the years there have been serious changes in the value chain. A good example of this was Portugal's accession to the European Union in 1986; it was necessary to change the legislation so that wines could also be exported directly from growers, and not only from the Gaia hub. However, as with most of any other industry, and despite being this a very traditional one, technological improvements, new services and investment have deeply changed the Port wine value chain (Ferreira et al., 2018).

¹³ By 2016 the percentage of people with a basic level of education employed in the Portuguese agricultural sector (which includes wine production) was 59.74%, followed by 12.5% corresponding to those workers who could neither read nor write (PORTDATA, 2018).

8. IMPACT OF PORT WINE ON ENGLISH SOCIETY

Given their relations with Portugal, the English soon began to develop winegrowing activities. A new wealthy social class emerged in the seventeenth century, a social class willing to pay anything for a high-quality wine, and so Port became the popular drink among them, especially in London (Riera Palmero, 2014).

However, Port wines are not something exclusive for the so-called upper classes, and neither are they made solely for people of excessive economic capacity, since they are very competitive and easily accessible wines, with the exception of the “big Ports”. Still, we must recognise the aristocratic character of Port wine. The traditional British high society always enjoyed the regular consumption of wine, especially from historical production regions and, as a general rule, from historical firms. Burgundies, Sherries and Ports were part of the type of wines enjoyed by the English upper-middle class and aristocracy, whose members considered the custom of drinking wine to be of excellent taste because it was associated to their traditional culture (Martínez-Dueñas et al., 2003).

It is clear that Port wine has marked the English culture since it began to be exported to the United Kingdom. This influence is still present to this day, making a bottle of Porto something almost ritualistic. It is well-known that a good bottle of Port is something very special, so it is not unusual to find upper-middle class English families storing high-quality Port bottles (specially Vintages) for many years, to uncork them on the most important occasions. Port is so rooted in the English upper-classes and aristocracy that it continued to be consumed even during the most terrible events of the twentieth century, such as the two world wars.

On the nineteenth century, it was quite common among the aristocracy and the British rulers to discuss the problems of the nation while enjoying a good wine, a custom that was gradually followed by those groups that won renown in the Victorian and Edwardian society, and so on until today. During the Industrial Revolution, businessmen progressed thanks to the abuse of power allowed by a society that at that time lacked trade unions and other means to claim their rights. They soon started to imitate counts and marquises, even competing to be the one who served the best Port. This practice was also adopted in

the slave society of North America, where the landlords imitated the English in everything, including the consumption of Port wine.

As Port started to have a better quality during the later eighteenth century, the English elite changed, and the qualitative improvement led them to adopt certain habits that entailed drinking Ports made “in his image and likeness: high-quality, aged and refined, but strong and manly nonetheless” (Ludington, 2013, p. 59). Its availability, relative cost and status of ‘patriotic wine’ ensured that Port became the everyday wine for the upper-middle classes (Jennings, 2015).

As we have already mentioned, nowadays Ports are not exclusive for the aristocracy, but they certainly give their owner some sort of prestige. In this connection, a whole social concept has been built around two elements: Port wine glasses and decanters. Port wine glasses are smaller than other wine glasses, with a reasonably long stem that ends in a small cup for concentrating the aromas. The decanters are perhaps one of Port’s most significant signs of identity (Bell, 2016). Many Ports need to be decanted before being served. For this purpose, there are the decanters, a glass container where the wine is poured after opening the original bottle, and where it remains stored for a while, depending on the type of Port¹⁴ (Lemm, 2019). This is something that became gradually customary for practical reasons, as it was easier to serve Port wine if the sediments were left behind in the bottle, but soon it acquired a social and cultural meaning.

The increasing refinement of the English society led to the creation of these elegant elements for the dining table that somehow depicted the social class of its owner, a tradition that has continued to this day (Chatelaine’s Antiques & Appraisals Magazine, 2003). The distinction that brings a Port is not given by the brand, but by the simple fact of owning it. If we think about it carefully, the decanter and the glasses have the purpose of being visible; we do not see the original bottle at any time, but it is understood that,

¹⁴ Many people believe that Port lasts forever because it is a fortified wine. However, even though they last longer than non-fortified wines, the durability depends on the type of Port we are talking about. For example, Vintage Ports should be consumed within 2 and 3 days after opening; white Ports can be consumed within 2 and 3 months, and Tawnies last longer, between 5 and 6 months after opening, if we store them in the fridge (Shapira, 2014).

given the status of the person who is offering us the Port, it will be of great value and quality. It is the decanter and the glasses what gives the quality and prestige.

This pattern becomes even more visible when compared to other societies. In Spain, for example, one would not really know what to do with a distinguished bottle of Port, where to put it or when to consume it. Perhaps a small group of anglophiles that learned this tradition at the beginning of the nineteenth century, when they fled the French invasion and settled in England, imitating their English hosts when they were visited.

As we have seen, different rituals have developed around Port wine, especially thanks to the fact that it has been consumed mostly by English people, with their love for traditions. All these ideas express the behaviour of a consumer that has made his own an imported wine, cultivated by and for the English, of an undeniable refinement when compared to the consumption of other alcoholic drinks such as, for example, whiskey. The latter has not achieved the level of refinement that characterises Port, which is perceived as “glamorous” (Taylor’s, 2019h).

In his book *A Treatise of the Wines of Portugal*, John Croft perfectly illustrated the fame of Port wine among the English, perfectly summarising the information given in this study. After all, “an Englishman of any descent, condition or circumstances, cannot dispense with Port after a good dinner” (J. Croft, 1940, p. 7).

9. CONCLUSIONS

Throughout this report we have seen how a centenarian industry has evolved, with rich traditions that are still maintained today. Although at first we might think that this is an inconvenience for the wine market, all the agents involved in the Port industry have been able to develop, over hundreds of years, a series of techniques that have made this wine a sign of identity of two different cultures. Not only processes full of tradition have been preserved, but it has also been possible to complement them with the technological advances of the market. This is no “to renew or to die”; here it is “to adapt to the new, without saying goodbye to the past”.

The sixteenth and seventeenth centuries were a long period of prosperity for Spain and Portugal, both individually and as a whole. In the early days, when they were a “united country”, the territorial expansion reached was enormous, and the repercussions of this power can still be felt today. As independent kingdoms, they never lost their colonial vocation, and perhaps the clearest example here is Portugal, keeping in mind that some of its colonies became independent less than 50 years ago.

At no time should we forget the close relationship that (still today) exists between English traders and merchant companies, and the major impact they generated in peninsular territory. Their influence was immense, although it is true that it was more intense in Portugal, given that relations between Portugal and England eventually turned out to be more favourable than the relations between Spain and England.

Perhaps at first it may go unnoticed by some, but the figure of the Marquis of Pombal is vital for the development of the Port wine industry. The measures he carried out contributed considerably to improving the quality of the wine produced, and boosted an industry full of competitors, not only at a European level (Spain, France, Italy), but also at a global level (America, Asia, Australia), and increasingly accentuated. Pombal’s intervention policy laid the foundations for one of the most complex and complete regulations of the wine sector in the world, a high-quality production system that has survived to historical episodes such as the dictatorship of Oliveira Salazar, or the annexation of Portugal to the European Union. The foundations of a prosperous

commercial relationship that has lasted for centuries, as it is the link between Portugal and England, were built with him.

There is no doubt that, after what has been displayed in this paper, the Port wine industry is of vital importance for the Portuguese industry in general, so it should be more promoted, inside and outside the country's borders, and make the most of its brand image. Within Portugal, the city of Porto has experienced a radical change in its economy and society, changing from a city with high unemployment rates to a leading commercial centre.

As it happened in the past, the Port wine market has today some challenges to face as well. The possibility of a Brexit (with or without deal) may lead many to believe that the foundations of this prosperous industry will shale, or even collapse. It is History that once against demonstrates us that this is an unlikely scenario. As we have previously seen, the English and Portuguese families involved in the industry have made Porto a product consumed (especially by the English) even during the hardest times (for example, the First and Second World Wars). Even so, this industry has been able to cope with the most complex situations, and although there have been periods not as prosperous as others, the consumption of Port wine has remained constant. As we previously say in the case of Oliveira Salazar or the European integration, the rights granted during the government of Pombal have prevailed over all these events. The benefits enjoyed by Port wine compared to other productions are older than Portugal's annexation to the European Union, for example, and their potential goes beyond Brexit too.

Tradition and innovation are combined here, resulting in a product full of art. The consumption patterns of Port consumers (especially the English ones) are clearly influenced by all the historical events that we have developed in this work, and without any doubt, this is one of the signs of identity of this wine, differing from the rest of wines for a million reasons.

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