

## 9

THE COMING OF  
THE CORPORATIONS

On December 13, 1577, a five-vessel flotilla under the command of Francis Drake left Plymouth, England. Drake's secret charge from Queen Elizabeth was threefold: to repeat Magellan's circumnavigation, to establish trade with the Spice Islands, and to plunder Iberian shipping.

Nothing could have suited Drake better. Just thirty-seven years old, he had already earned a reputation for navigational skill and bravery under fire. Nine years earlier, he had sailed the Caribbean to traffic in slaves with his cousin John Hawkins. While repairing their boats at the Mexican port of San Juan de Ulúa, they were double-crossed and nearly captured by the Spanish, an experience that left Drake with a lifelong hatred of Iberians. Five years later, he got even by robbing a Spanish silver train in Panama. He returned to England with a fabulous £20,000 booty for the queen.

Drake's circumnavigation succeeded beyond both his and Elizabeth's wildest expectations. On September 26, 1580, his remaining ships returned to Plymouth harbor, not only having reached the Moluccas but also having sailed the west coast of the New World from Cape Horn to Vancouver Island. During his epic voyage, Drake had explored, traded, and raided. Now his boats lay low in the water with Spanish treasure and Portuguese trade goods wrested from galleons and caravels between Africa and Peru, and with cloves and nutmeg obtained more honestly from Babullah, the rebellious sultan of Ternate in the Spice Islands.

In Europe, peaceful trade was the province of rich and powerful nations such as Spain and the Netherlands, who had a vested interest in keeping the seas free from piracy. Like many poor, weak, backward states, Britain in the late sixteenth century could not afford the luxury of permitting foreign merchantmen to sail undisturbed; there was simply too

much profit in plunder. The majestic, liberal, and free-trading British Empire was more than two centuries in the future; Tudor England was a nation of bankrupt monarchs, crown monopolies distributed to court favorites, and royal letters of marque granting freebooters a piece of the action.

The most valuable cargo landed that day at Plymouth was neither spices nor silver, but rather intellectual capital. Early in Drake's odyssey, he had captured the Portuguese vessel *Santa Maria* near the Cape Verde Islands, off the west coast of Africa. His men were delighted to relieve the one hundred-ton caravel of its trade goods: woolens, linens, velvets, silks, and wine that had been bound for Brazil. It was also loaded down with canvas, nails, and tools—precisely the matériel needed on a long sea voyage.

However, Drake was far more interested in the pilot, Nuño da Silva, one of Europe's most experienced mariners. The Portuguese officer and the English pirate spent countless hours together examining and translating the *Santa Maria's* charts; within a short time, Silva spoke English fluently. Over the ensuing months, the pilot dined at the captain's table and was accorded his every wish, except, of course, his immediate release. (Drake did let him go a year later.) Through Silva and his charts, Drake appropriated for England the most closely kept naval and trade secret of the era: celestial navigation in the strange skies "below the line" in the southern hemisphere.<sup>1</sup>

Nor was the transfer of this vital intelligence from southern to northern Europe the only historic symbolism to play out that day in Plymouth. When Drake arrived, crown authorities immediately spirited him away from public view. It would be five months before Elizabeth knighted him on the deck of the *Golden Hind*. State piracy was going out of fashion, and although in 1587 he would distinguish himself further with his daring raid on the war fleet of Philip II at Cádiz—the famous "singeing of the king of Spain's beard"—for the moment, he had become an embarrassment. England's future lay with trading, not raiding. The ledger book was soon to prove mightier than the sword, and the pirates, heroic lone traders, and swashbuckling naval commanders of the previous era were about to be replaced by the faceless managers of the two great multinational corporations of the premodern period.

The first of these was the VOC, which dominated long-distance commerce in the seventeenth century; the second was the English East India

Company (known hereafter as the EIC, or more simply, in the appropriate context, as “the Company”), which inherited its mantle in the eighteenth century. For two hundred years these two companies, with very different institutional origins and philosophies, battled each other for global trade supremacy, and their fortunes reflected the nations that gave them birth.

Before Drake’s expedition, northern European ships had ventured east only as far as the Mediterranean via Gibraltar. If a Dutchman or an Englishman wanted to travel to the East, it would have to be on a Portuguese, Spanish, or Asian vessel, or by the overland route.

Early in the sixteenth century, the Tudors began granting monopolies to trading syndicates. Probably the first of these was a group known as the Merchant Adventurers, chartered in 1505 to send vessels laden with wool to Cypress, Tripoli, and Sicily. When successful, they returned to England with silks, spices, cottons, and carpets. Further charters followed, most notably to the Muscovy Company in 1555, to the Eastland Company’s operations in Scandinavia and the Baltic in 1579, and to the Levant Company for trading with Turkey in 1581.

When the *Golden Hind* returned to Plymouth in 1580 laden with the riches of the East, its contents repaid Drake’s backers fifty pounds for every one invested, not counting, of course, the £50,000 in Spanish pieces of eight and gold bars removed to the Tower’s vault as crown property.

Inspired by Drake’s success, a steady stream of adventurers headed to the Indies by various routes. In 1583 four traders from London—James Story, John Newberry, Ralph Fitch, and William Leeds—traveled overland to India and presented a letter of friendship from Elizabeth to the Mogul emperor Akbar. Fitch’s written descriptions of the vast amounts of rubies, diamonds, silks, gold, and silver on display at the Mogul court galvanized London. In 1586, Thomas Cavendish conducted the third circumnavigation (after Magellan’s and Drake’s). He returned in 1588 laden with Spanish booty, his men clad in Chinese silk, his topsails trimmed with gold cloth, and his mainsail made entirely of damask. He departed on another circumnavigation in 1591 and was never seen again.

An expedition commanded by James Lancaster also departed in 1591 for India via the Cape. Lancaster’s mission was plunder, not trade. Dur-

ing his three-year voyage, he roved between the Cape and the Moluccas, relieved several Portuguese Indiamen of their cargoes, and lost 90 percent of his crew to scurvy and storms. After unsuccessfully attempting to take the eastern coastal Brazilian province of Pernambuco from the Portuguese, he returned to London, where he would become a prime mover in a new venture, the EIC.<sup>2</sup>

The origins of the VOC were radically different, and in order to understand them, we must first describe its political and social roots. Before the mid-sixteenth century, what is today Holland and Belgium consisted of seventeen mainly lowland provinces that were part of Burgundy. They were inherited in 1506 by the Habsburg King Carlos I of Spain, who later became the Holy Roman emperor. When Carlos’s son Philip II invaded this territory in 1568 to suppress the Protestant Reformation, the five northern provinces revolted. They formally declared their independence in 1579 with the Union of Utrecht, which banded them together into the United Provinces—what is now the Netherlands.

At that time, Antwerp (now in Belgium) was northern Europe’s trading hub. This wealthy city attracted both Catholic and Protestant merchants from England, Germany, and the new United Provinces. All were more than happy to trade with Spain and Portugal, not just for spices but in other goods as well, most importantly the Iberian salt used to preserve Dutch herring. In exchange, the Dutch sent south their increasingly sophisticated textile products, as well as grain and timber from the Baltic.

In 1585, Philip’s nephew the duke of Parma (in Italy) captured Antwerp, and with a decency uncharacteristic of the times allowed the city’s Protestants to leave peaceably. Nearly simultaneously, his uncle embargoed the United Provinces and seized its vessels in Spanish and Portuguese ports. Each of these three actions was a colossal mistake. At a stroke Philip had created a network of the hardest-working, most commercially savvy traders in the world—Antwerp’s now exiled Protestants, who were now dedicated to bypassing Iberian ports.<sup>3</sup>

The largest number of the refugees settled in Amsterdam, which was the capital of Holland but heretofore an unimportant port. (“Holland,” strictly speaking, during that period referred to the largest of the United Provinces, not to the nation itself.) Between 1585 and 1622, Amsterdam’s

population swelled with Protestant refugees, increasing from 30,000 to 105,000 and becoming one of the largest European cities. The rebels blockaded Antwerp, which shrank to insignificance.<sup>4</sup>

In the late 1500s, a Dutchman, Jan Huyghen van Linschoten, would provide the final impetus for Holland's push into the Indian Ocean. For several years he served as a secretary to the Portuguese archbishop of the Indian city of Goa, and after the death of the prelate in 1588, he decided to seek his fortune and head even farther east. He dreamed not of great fortune, but only of a small-time peddling trade: "If I possessed only two or three hundred ducats, they could easily be converted into six or seven hundred."<sup>5</sup>

On his eventual return home to Holland in 1592, van Linschoten began work on a book, best known by its nickname, *Itinerario*, describing the botany and commercial geography of southeast Asia, as well as offering advice on navigation. The book's most useful recommendation concerned the East Indies trade:

In this place of Sunda there is much pepper, and it is better than that of India or Malabar, whereof there is so great quantity that they could lade yearly from thence [500,000 pounds]. . . . It hath likewise much frankincense, camphor, and diamonds, to which men might very well traffic without much impeachment, for that the Portugals come not thither, because great numbers of Java come themselves unto Malacca to sell their wares.<sup>6</sup>

In other words, sail south of Sumatra, then pass north through the Sunda Strait (between Java and Sumatra) to avoid the Portuguese, who were happy to have Indonesian merchants come to them well to the west at Malacca. Even though the book was not printed until 1596, van Linschoten's observations and advice became common knowledge and were put to good use in Holland, soon after his return in 1592. Subsequently translated into several languages, *Itinerario* excited interest in France, England, and Germany.

In 1594, spurred by van Linschoten's observations and navigational charts (as yet unpublished), four Amsterdam merchants founded the "Company of Far Lands," and a year later this syndicate sent four ships and 249 sailors to India. As was typical of the era, just eighty-nine men arrived home in 1597. Worse, they landed only a small cargo of pepper,

and no fine spices at all. In spite of their poor luck and planning, the merchants still made a handsome profit, and this did not go unnoticed. Within the next twelve months, Far Lands and five new competing companies sent no fewer than twenty-two ships to the East. Again, only fourteen of the vessels and less than half of the men made it home, but the ships of Far Lands returned fully laden with six hundred thousand pounds of pepper, earning the investors an enormous profit.<sup>7</sup>

When the first of these ships arrived back in Amsterdam in 1601, church bells rang with joy. According to one observer, "So long as Holland has been Holland, such richly laden ships have never been seen."<sup>8</sup> The Dutch were seized by a righteous commercial fervor that would do any modern free-trade enthusiast proud. Jacob van Neck, the commander of the successful expedition, noted that their *modus operandi* was "not to rob anyone of their property, but to trade uprightly with all foreign nations."<sup>9</sup> That would soon change.

At the same time, events were also moving rapidly in England, where, as in almost every other nation of the period, no one doubted the appropriate course of action: the crown would either arrogate monopoly rights to the trade for itself, or else award them to a court favorite in return for a piece of the action. Elizabeth was a past master at this sort of quid pro quo: in 1583, for example, she had granted Sir Walter Raleigh the monopoly on sweet wines throughout England.

The crown rushed to pursue the spice trade because of the success of the Dutch, whose merchants in 1599 cornered the pepper market and promptly tripled its price. English traders could not sit idly by.<sup>10</sup> A group of London merchants, many of whom were already principals in the Levant Company, petitioned the privy council with papers entitled "Certain Reasons Why English Merchants May Trade in the East Indies." The council indicated its approval, and over the next year and a half the organizers held meetings and solicited capital subscriptions totaling £68,000. Given the queen's history of awarding monopolies on a whim, the organizers took no chances: they presented her with a *fait accompli*. Even before they formally requested a charter, they had purchased, overhauled, and supplied five vessels, and then filled them with trade goods and gifts for local rulers.

By the time the petition reached Elizabeth, it bore more than two hundred signatures. On December 31, 1600, Elizabeth affixed her stamp and signature to the new company's charter, good for fifteen years; just six weeks later, the flotilla, under the command of James Lancaster, slid down the Thames.<sup>11</sup>

The year 1601 was eventful in Holland as well. In response to the success of the second Far Lands expedition, the six existing Dutch companies sent fourteen expeditions consisting of sixty-five ships around the Cape of Good Hope. By now, it was obvious that the rush for spices was getting out of hand, as the competing companies were crowding each other out at both ends of the supply chain, simultaneously bidding up prices in Indonesia and glutting the market in Amsterdam. If the profits were not to be entirely squeezed out of the trade, the Dutch government would have to regulate it.

In England, as we've already seen, the natural inclination of merchant venturers to the Indies was to seek a monopoly charter from the crown. But Holland was not a typical medieval absolutist European nation, and the Dutch government was far more inclined to act in the interest of the nation as a whole, particularly when this was politically expedient.

Just what was meant by the term "Dutch government"? For two centuries after 1579, when the Union of Utrecht established the northern provinces in revolt against Spain, the only national political institution was the States General. This representative body met in The Hague and decided military and diplomatic policy in conjunction with the stadholder, a hereditary prince of the House of Orange. Otherwise, each of the provinces governed itself, regulated its own merchants and businessmen, and championed its own companies in the States General, which was itself frequently at odds with the House of Orange. Creating a national trading company would not be easy.

Fortunately for the Dutch, in 1602 the gifted leader of the States General, Johan van Oldenbarnevelt, and the influential stadholder Prince Maurice were able to cajole the provinces into accepting a single combined monopoly organization to handle all commerce to the Indies.

The new organization, the VOC, strongly resembled the nation that gave it birth. Each of the original six companies was given its own

regional head office, or chamber. A national board of seventeen overseers, the Heeren XVII, oversaw these six offices. The Heeren were apportioned roughly in accordance with the national population: one each from the four smaller provinces; four from the second-largest province, Zeeland; and eight from Holland. So that the latter did not command an absolute majority, the seventeenth member alternated between Zeeland and one of the four remaining provinces.

The Company's charter granted it the ability to hire military personnel, with the sole proviso that they swear fealty to the States General, and to wage war, so long as it was "defensive." (The EIC was also allowed to conduct military operations, and, as we'll soon see, the English and Dutch companies frequently exercised this privilege against each other.) Given that communication with the East Indies took a year in each direction, the VOC behaved as a sovereign nation wherever it went, with a free hand to physically destroy its Asian competitors whenever the Heeren XVII, or a particularly aggressive local governor or commander, felt like it.

The VOC, and along with it the West India Company (WIC), chartered twenty years later with the same military potential, were not slow to use force of arms. Between 1602 and 1663, the two companies tried to pick off Portuguese and Spanish settlements in Chile, Brazil, East and West Africa, the Persian Gulf, India, Sri Lanka, Indonesia, China, and the Philippines. In reality, the WIC and VOC, two private companies, conducted the first world war, a grab for spices in Asia, sugar in Brazil, and slaves and gold in Africa.<sup>12</sup>

The results were mixed. The Dutch largely succeeded in India and Indonesia; by the late seventeenth century, the Portuguese were left with only tiny enclaves at Goa and Timor. The Dutch failed miserably at Manila, Macao, and, most importantly, in Africa. Unable to seize the Portuguese bases in Angola and Mozambique, the VOC was forced to establish a new outpost at Africa's remote southern tip, the Cape Colony, in order to protect its Indian Ocean routes.

Impressive as was the war-making machinery of the VOC and WIC, their most potent weapon was Dutch finance. In 1602, investors provided the VOC with 6.5 million guilders in initial funding—about \$100 million in today's money—to hire men, purchase ships, and acquire silver and trade goods to exchange for spices. This capital was permanent, that is, if things went well, it would yield profits that would go mostly to pay

for the expansion of business. Although the investors hoped for a modest annual dividend, they had no reason to expect to see their original 6.5 million guilders back anytime soon. This may not seem at all unusual to the modern investor, but at the beginning of the seventeenth century, the appearance of permanent capital in Holland demonstrated an extraordinary degree of confidence in Dutch financial institutions.<sup>13</sup>

By the early seventeenth century, all roads led to the Netherlands. This nation, physically smaller than Portugal and with only a slightly larger population (1.5 million in 1600), assembled the first truly global trading system. To this day, success or failure in the global marketplace depends not on size but on advanced political, legal, and financial institutions; by 1600, the Netherlands had far and away the world's finest, putting it in the best position to challenge the Portuguese trading empire. True, Holland was still in the midst of a fight for independence from Spain—the Eighty Years' War, which would not end until 1648, with the Treaty of Münster. In spite of that conflict, the Netherlands was still in far better shape than Spain, England, or any other European nation. Drake's exploits, the defeat of the Armada, and the EIC's slight head start aside, the realm of the Tudors and the Stuarts was roiled by religious strife, had only primitive and unstable financial markets, and was eventually to be plunged into a devastating civil war. France and Spain were even further behind, plagued with crown monopolies and chronic bankruptcy. By contrast, the Dutch confederation was one of the few European states free of the curse of absolute monarchy, possessed of vigorous legal and financial institutions, and relatively tolerant of the ambitious and able of all religions.

Two simple pairs of statistics tell the tale. Economic historians estimate that in 1600, per capita gross domestic product in England was around \$1,440 in current dollars, versus \$2,175 in Holland. (The comparable figures for Spain and Portugal were \$1,370 and \$1,175, respectively.)<sup>14</sup> These figures hint at the yawning technological and commercial gap separating Holland and England as the race for colonial supremacy began, but institutional and financial differences between the two nations proved even more important. In England, reputable borrowers (that most certainly did *not* include the crown), paid 10 percent on their loans, versus 4 percent in Holland, with the Dutch government getting its credit at

the lowest rates of all. By contrast, in England, where the crown could, and often did, repudiate its loans, lenders charged it higher rates than those for good commercial borrowers.<sup>15</sup>

Why were Dutch interest rates so low? By the year 1600, because of its curious lowland geography and cultural capital, the Netherlands had become the most financially advanced nation in Europe. Much of its best farmland lay below sea level, laboriously reclaimed over the centuries with dikes and windmills (the latter used to power pumps). These projects were locally run and financed, and the rich new lands they exposed yielded not only an agricultural bounty, but also a population of empowered and prosperous peasants un beholden to any crown or feudal overlord.

These reclamation projects stimulated the nation's credit markets. Dikes and windmills were expensive, and local church and municipal councils raised the required funds in the form of loans. This turned Holland into a nation of capitalists; merchants, aristocrats, and even rich peasants tended to invest their spare guilders in the bonds used to finance the reclamation projects. This tradition carried over into trade; after 1600, Dutch citizens would consider it just as natural to own a fractional share in a trading vessel to the Baltic or the Spice Islands.<sup>16</sup> Eventually, merchants and brokers sliced ownership into ever smaller pieces: not just half or quarter shares, but thirty-seconds and even sixty-fourths. To this day, the Dutch are among the world's most aggressive international investors.

Dividing ownership in this way was the essence of "Dutch finance," whose genius lay in allowing entrepreneurs and investors to spread risk. In 1610, court documents showed that the estate of one petit bourgeois merchant consisted of shares in twenty-two ships: thirteen 1/16 shares, seven 1/32 shares, one 1/17 share, and one 1/28 share.<sup>17</sup> Fractional shares not only made it easier for merchants to bear prudent risks, but also allowed investors to increase their margin of safety by blunting the damage done by the loss of an individual ship or an unsuccessful commercial outcome. This in turn increased the willingness of investors to provide capital, which further lowered interest rates.

Another Dutch financial innovation that served to decrease risk (at least when used properly) was the futures market—the "buying of herrings before they be caught."<sup>18</sup> Essentially, such markets assigned prices to given amounts of commodities at some point in the future—say for a

thousand pounds of herring one year hence. These financial instruments could then be bought and sold just like the actual item. The Dutch did not invent this concept—it was well known in both southern Europe and the Muslim world—but they refined and institutionalized it to a degree never before seen. By selling futures, Dutch farmers and merchants could be assured of a given price for their products six or twelve months hence. By purchasing futures, buyers could avoid disastrous price rises in the interim. Shippers could also acquire maritime insurance as a hedge against loss of their cargoes at sea, yet another risk-sharing device. Fractional shares, futures contracts, and maritime insurance all served to stimulate commerce.

As Josiah Child, a seventeenth-century English merchant, economist, and governor of the English East India Company, explained, “All nations are at this day richer or poorer in exact proportion to what they pay, and have usually paid, for the Interest of Money.”<sup>19</sup> For millennia merchants have had to borrow to finance their trading ventures, and governments have had to borrow to support their military ambitions. All other things being equal, a Dutch company could borrow at a 4 percent interest rate two and a half times more money than an English company could at a 10 percent rate.

The same was also true of a nation’s ability to support its military. Four percent interest rates meant wealth and power; 10 percent, poverty and impotence. The ability of the Dutch to borrow, combined with the turbulence of English politics, gave Holland a head start that England would not overcome until its financial and political institutions were reformed generations later.

The sad state of England’s financial markets manifested itself in the EIC’s puny initial capitalization: £68,000, just one-tenth of that of the VOC.<sup>20</sup> Moreover, the English company’s capital was *not* permanent; it had to be completely returned to investors as soon as the company’s ships sailed back up the Thames and their merchandise was sold. On more than one occasion, investors were paid with spices instead of specie and took delivery of bags of pepper in place of pounds sterling.<sup>21</sup>

Imagine for a moment how hobbled Microsoft and Boeing might be in their competition with foreign companies if they had to return the entirety of their initial investment capital each time they completed development of a software product or an aircraft, then had to repeat the

process with each new project. Imagine further that they occasionally sent their shareholders a stack of software disks or a wing spar in lieu of a dividend check. This describes, more or less, the handicap borne by Holland’s competitors.

For almost a century, the EIC played the role of the obnoxious kid brother of the VOC. In 1622, for example, the Dutch company had eighty-three ships under its command in Asian waters, while the English had just twenty-eight, roughly the ratio of interest rates between the two nations. One Dutch observer noted:

It is a great mistake on the part of Your Honors to suppose that the finest trading opportunities in all the world can be seized and held in the face of all the world by keeping 30, 40, or perhaps 50 ships and yachts in the fairway.<sup>22</sup>

Finance and ships were not the only edge the Dutch had on the English. Even though the VOC’s structure reflected the divisions within the United Provinces, the EIC was even more decentralized. Less a trading company than a guild, the English company allowed each of its members to trade on his own account, owning only the ships in common with other members. Since both the voyages and the merchants were separately financed, there was almost no cooperation where it mattered: at the EIC’s trading posts. When disputes broke out among English traders in Asia, they had to be sorted out in London, half a world and a two-year round-trip away. At Bantam in Java, near modern-day Jakarta, there were three different English trading offices. Not only did the merchants of EIC trade their own goods; they were free to compete directly with their own company.<sup>23</sup> The VOC, by contrast, sent to Indonesia a strong governor-general with full authority over all of the company’s officers.

Since the States General had been its midwife, the VOC could count on government support, both military and political. But the EIC, a private company of loosely confederated merchants, could not expect shelter from attack by foreign trading powers abroad or from protectionism at home.

The decentralization of the EIC also made it more susceptible to corruption than the VOC. Although the behavior of Dutch traders and sailors was hardly upstanding in this regard, the employees of the EIC treated its ships as their own, transporting large amounts of trade goods for their accounts to and from Asia. As one EIC official wrote to his directors:

Concerning the private trade of the English . . . Your Honours must believe that if the Company of England were served according to the manner in which Your Honours are served it would long since have surpassed the Dutch Company.<sup>24</sup>

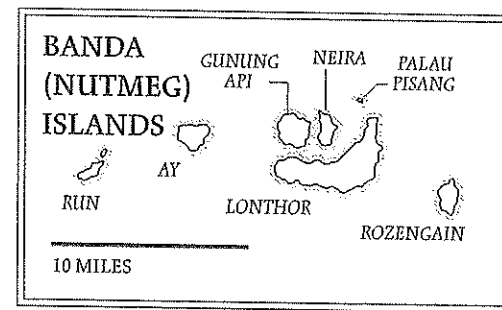
Another great advantage that the Dutch had over England, and over its other European rivals, was in maritime technology. The decrease in piracy in northern European waters after 1595 allowed the development of a round, slow, but highly efficient vessel known as the *fluitschip*, or “flute ship,” which required less than half the crew of other vessels of similar tonnage. Initially, the craft was victimized by its own success; its efficiency threw so many sailors out of work that many turned back to piracy.<sup>25</sup>

By 1605, the VOC realized that if profits were to be maximized, it needed a monopoly not just in Holland’s spice markets but in those in the rest of the world as well. In order to accomplish this, it would need permanent bases in Asia where it could store trade goods, repair and provision ships, and coordinate activities without interference from local rulers or the Portuguese. The following year, the Company unsuccessfully attacked Portuguese Malacca, then turned its attention eastward to the Spice Islands and Java.

Spanish forces from Manila had occupied the Moluccan island of Ternate in 1606, and when the sultan appealed to the VOC for help against them, the company sent troops. Over the next several decades the Dutch slowly pushed the Spanish out of the Moluccas.<sup>26</sup> Because of the delay in communication between the Indies and Europe, the last battle in the Dutch war of independence from the Spaniards took place on Ternate in 1649, fully one year after the signing of the Treaty of Münster in 1648.<sup>27</sup>

The subsequent course of the takeover of Asian trade by the VOC pivoted on Holland’s takeover of the Bandas, Moluccan flyspecks placed in history’s crosshairs by a unique soil that made them the world’s only source of nutmeg and mace.

During the sixteenth century, the Portuguese and the Spanish had reduced the clove-producing north Moluccans to vassalage by exploiting the rivalry among their islands, particularly that between Ternate and Tidore. At the same time, the south Moluccans, especially the Bandanese, prospered. Left relatively undisturbed by the Iberians, they collected nutmeg and mace from the forests that covered their islands as they had done for more than a thousand years. They grew wealthy by shipping to Malacca,



two thousand miles to the west, their own nutmeg and mace, as well as cloves from their northern neighbors.

The VOC quickly recognized that if it was to monopolize the spice trade, the Bandanese would have to go. And go they did, with a brutality and efficiency that would become the trademark of Dutch policy in Asia. The largest, and most important, part of the Bandas consists of three island remnants of a caldera—Lonthor, Neira, and Gunung Api. A few miles west lies tiny but fertile Ay; and a few miles farther west, the most isolated of the group, the even tinier Run.

Like the north Moluccans, the Bandanese welcomed the Dutch, when they first arrived in 1599, as a counterweight to the overbearing, proselytizing Portuguese. The VOC easily hoodwinked the islanders into yielding their nutmeg exclusively, at artificially low prices. It is not clear whether or not the Bandanese understood the documents they signed, but whatever the case, disputes soon arose. The islanders were totally dependent on barter with neighboring islands for their food supplies, a fact the Dutch seemed not to appreciate at first. Simply to avoid starvation the Bandanese almost immediately “violated” the “agreements” with the VOC. Worse, in 1609 the inhabitants of Neira granted Captain William Keeling of the EIC permission to build a trading post.

Both the disregard of the Bandanese for the niceties of European contractual propriety and the insouciance of the freeloading Britons, who had expended no military capital in the Moluccas, enraged the Dutch, in no small part because English competition had driven up purchase prices. That same year the VOC sent a delegation to Lonthor to “negotiate” a new agreement. The islanders fell on the Dutchmen as soon as they landed and cut to pieces forty-seven soldiers and officers. A Dutch rescue party arrived too late.

Among the members of that party was a young “junior merchant” whose name later became synonymous with Dutch efficiency and brutality: Jan Pieterszoon Coen. Before embarking for the Indies, he had spent his teenage years as an apprentice to a branch of a Dutch merchant company in Rome, where he learned the new science of double-entry bookkeeping, which was not yet in widespread use in Holland.

Coen shipped out in 1607 to the East Indies for three years (during which he served on the unsuccessful Lonthor rescue party). He then returned to Holland for two years. In 1612 he was sent out again as a “senior merchant.” In this capacity Coen submitted a brilliant analysis, based on the new bookkeeping techniques, of the VOC’s operations, *Discoers Touscherende den Nederlantsche Indischen Staet*, which soon caught the attention of the Heeren XVII. In his report, Coen, a true spiritual ancestor of the modern bean-counting MBA, wielded the cutting-edge management tools of the seventeenth century, and observed that the company was turning very little profit on its complex operations. He recommended two courses of action: first, that a monopoly be obtained on the three precious “fine spices”—nutmeg, cloves, and mace—and second, that this be done at any cost, including the ruthless exploitation of local workers and the importation of Dutch colonists and slave labor.

Whether or not Coen’s involvement with the Lonthor massacre informed the recommendations of the *Discoers* and his later brutality is not known. One thing, however, was perfectly clear. The new trade was to be accomplished with force of arms:

Your Honors should know by experience that trade in Asia must be driven and maintained under the protection and favor of Your Honors’ own weapons, and that the weapons must be paid for by the profits from the trade, so that we cannot carry on trade without war, nor war without trade.<sup>28</sup>

The first to feel the force of those arms were the British. Even though the English captain Keeling had recently protected a VOC delegation at Ay from an attack by natives, the Dutch still suspected him, probably wrongly, of conspiring with the Bandanese. Outmanned and outgunned by the Dutch, Keeling filled his boat with spices and sailed away.

By this point, Neira was already under Dutch control. Lonthor, starving under a blockade, submitted next. In 1610, Captain David

Middleton of the EIC arrived at Neira. Stonewalled by the VOC, he did not load a single nutmeg. He then decamped a few miles west to Ay, where the locals happily loaded his holds with fine spices, a trick that was turned by subsequent EIC captains over the next few years.

By 1615, the VOC had lost patience with both the English and Ay’s inhabitants. It invaded, only to be repulsed by the islanders. This time, its suspicions of British scheming were well-founded. English weapons were discovered on the island, and English boats had observed the action and perhaps even fired on VOC forces. The Dutch attacked the next year, with devastating results. They slaughtered hundreds, dispersed thousands, and enslaved the rest. On losing its trading post at Ay, the EIC simply moved its base of operations a few miles farther west to Run. At this point Coen, who had been appointed the local VOC commander in Bantam on Java a few years earlier, warned the English that he would consider any further support of the Bandanese an act of war.

The escalation of hostilities between the VOC and EIC aroused concern not only at the companies’ headquarters in London and Amsterdam, but also at Windsor and in The Hague. Between 1613 and 1619, the two governments conducted trade negotiations as contentious as any WTO or GATT conference. It galled the English that the Dutch sent as their chief negotiator none other than Hugo Grotius, the era’s towering legal scholar and author of the principle of *Mare Liberum*—the concept that God had given all nations the right to navigate the seas and to trade freely.

Although the English embarrassed him by quoting his own theories, Grotius was a brilliant rhetorician and had no difficulty arguing the opposite case—that the English, having contributed nothing to the establishment of trade with the Spice Islands, had no business there. Just as the fleets of the EIC and VOC were about to come to blows off Bantam in March 1620, the English vessel *Bull* arrived with a message for Coen from the Heeren XVII: nine months before, the companies had signed a treaty of cooperation.

The agreement infuriated Coen, who wanted to destroy every last English trading post and merchant ship in the East Indies. Its terms gave the EIC one-third of the profits from the Moluccas, but also made EIC liable for one-third of the costs.

The arrangement gave Coen the tools with which to eject the British, albeit more peacefully than he would have liked. Since the English



could not compete financially with the Dutch, outsmarting them was child's play, especially for an operator like Coen, as skilled at double-entry bookkeeping as with a cannon. Repeatedly he presented the EIC with enormous bills for spice purchases, ships' provisions, and military expenses that the English could hardly hope to pay. When the English pleaded insufficient funds or declined to supply warships in support of Coen's attacks on the islands, the Dutch refused to let them load spices.

Later that year, the VOC, without English support, committed one of the bloodiest outrages of the colonial era when they assaulted the main island of Lonthor and slaughtered most of its approximately thirteen thousand inhabitants. The few survivors were sent off to forced labor in Java or enslaved to work the clove trees that had once been theirs. In the decades that followed, those who had been packed off to Java were sent back home when the Dutch found themselves in need of native expertise to salvage their mismanaged nutmeg groves.

A number of islanders escaped westward, particularly to the Buginese port of Makassar (situated along the sea-lanes running from the Spice Islands to Java and Malacca), where they became an important part of this key trading community.<sup>29</sup> Meanwhile, the English were left in nominal control of Run and a tiny neighboring island. Although the Dutch did not physically eject the British from Run, for fear of violating the 1619 treaty, they destroyed the island's nutmeg trees.<sup>30</sup>

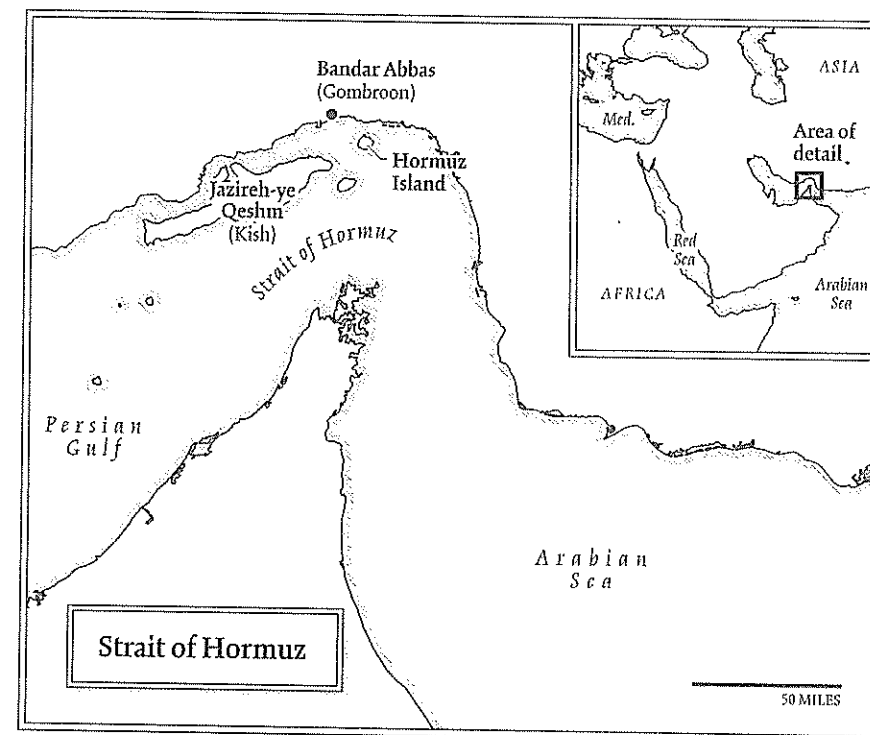
While the VOC was consolidating its monopoly in the Spice Islands at the eastern end of the Indonesian archipelago, it also established a more important foothold at the western end in Java. In defiance of orders of the Heeren XVII, the brilliant and monomaniacal Coen, who had just been appointed governor-general, seized the small fishing village of Jakarta from the sultan of Bantam on May 30, 1619, and renamed it Batavia.

In two decades, the Dutch had accomplished what the Portuguese had not been able to do in the preceding century—acquire a nearly complete monopoly on cloves, nutmeg, and mace. But like the Portuguese, they could not control the pepper trade, which was spread too diffusely between India and Indonesia.

The conquest of the Spice Islands was part of a grander VOC strategy for seizing control of Asian trade from the Portuguese. In 1622, the Dutch got unwitting assistance from the Persians and English when their

combined forces captured the island of Hormuz, the guardian of the narrow Persian Gulf entrance, from the Portuguese. The Persian emperor, Abbas I, had long wanted to regain the port's commanding position over the gulf in order to open it up to silk exports, a royal monopoly. Previously, silk had to travel by caravan through the territory of the Persians' archenemies, the Ottomans.

Hormuz, once one of the world's busiest and most cosmopolitan trading posts, became deserted, never to rise again, and its fall changed the face of Asian trade. First, the British received a base at Gombroon on the Persian mainland, later renamed Bandar Abbas ("Port of Abbas") which has dominated the strait down to the present day. Second, the Gulf was now closed to the Portuguese, as well as to the Gujaratis and the Acehnese of western Sumatra. This in turn shut down the ancient caravan trade across the Syrian desert, which had for a thousand years brought spices from the Indian Ocean to the Levant and Venice.

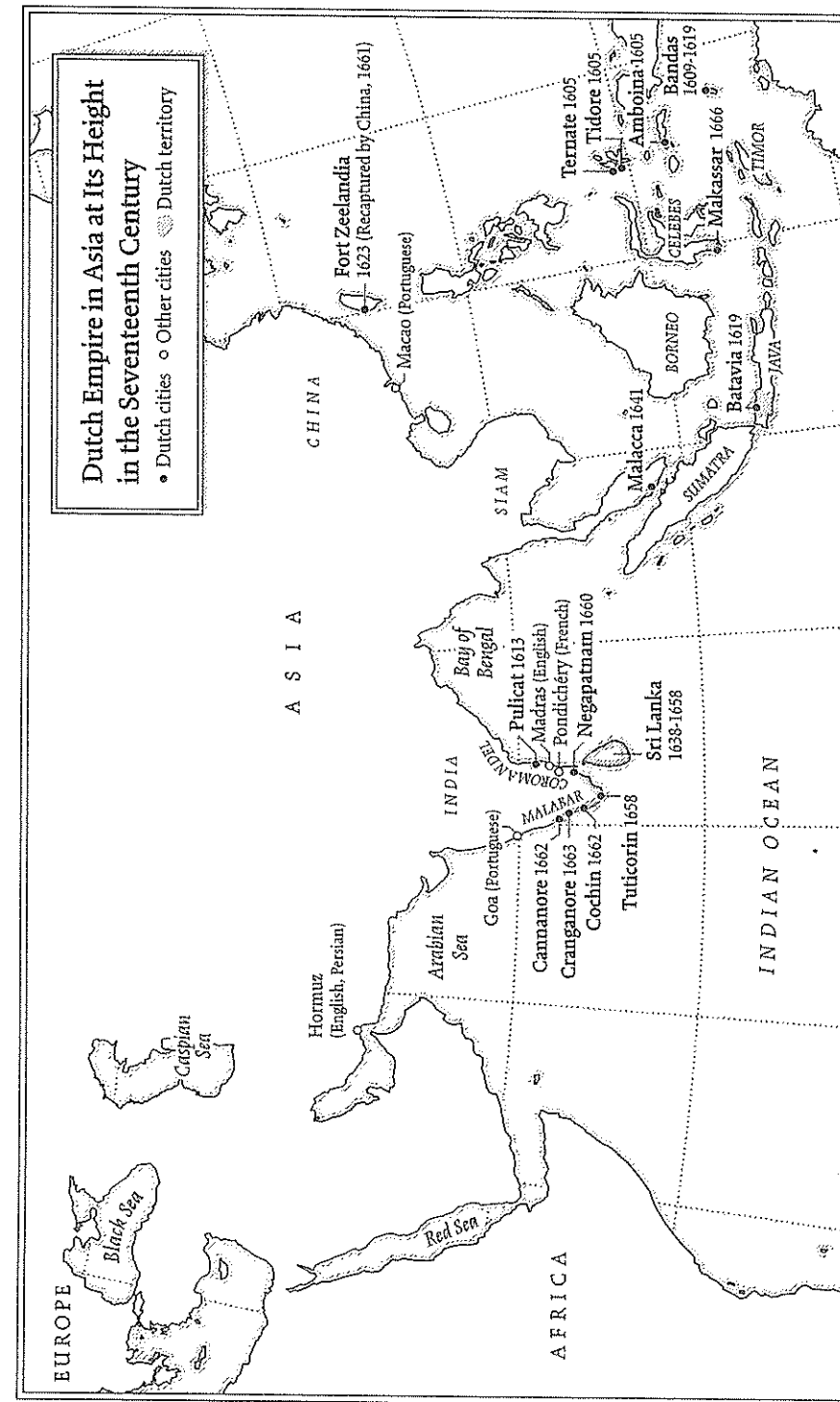


Paradoxically, the real beneficiary of the Anglo-Persian seizure of Hormuz was the VOC.<sup>31</sup> The nominal victors at Hormuz, the Persians and the English, derived little benefit from their newly won command of the Gulf, the former because they had no merchant fleet, and the latter because they no longer had Moluccan spices to ship to the caravans at Persian Gulf ports. The Dutch had almost totally frozen the English out of the spice trade, and not until the end of the seventeenth century would the EIC be able to exploit other commodities and once again challenge the VOC.

The Dutch followed this stroke of good luck by taking Sri Lanka from the Portuguese in a long and bloody campaign lasting from 1638 until 1658 and added the hugely profitable cinnamon monopoly to their portfolio. Finally, they completely sealed off the last leakages from the Spice Islands by bringing the Buginese port of Makassar, an important spice market for Asian traders, under VOC domination in 1669 and by taking Bantam, the main English base in Indonesia, in 1682.

With the fall of Hormuz and the virtual elimination of Portuguese power from the Indian Ocean, the only route open to Asian competitors was through the Red Sea. After 1630, the Turks lost control of its entrance at Bab el Mandeb to a local Yemenite imam, who reopened trade to all comers, including the Europeans, through the port of Mocha, near Aden. Although the Red Sea was theoretically open, Holland's competitors had no spices to ship through it. The Acehnese, who had so successfully defied the Portuguese *cartaz* system in the sixteenth century, had disappeared from the western Indian Ocean. The exact reasons for their decline are not clear, but it seems likely that merchants from Aceh could not buy spices because of the increasing VOC presence on Sumatra.

Dutch maritime technology had improved to the point where the route around the Cape of Good Hope at last became decisively cheaper and faster than "Sinbad's Way" and the Red Sea route. So complete was the VOC's control of the Spice Islands, so efficient was Dutch shipping, and so well financed and well managed were Company accounts, that by the early seventeenth century it was intentionally glutting the Mediterranean with pepper and fine spices from the *west* via Gibraltar. While this decreased profits, the low prices rendered the overland spice routes uneconomical and thus doomed the age-old Venetian trade via the eastern shore of the Mediterranean.<sup>32</sup> A century and a half later, Venice, its major source of revenue gone, would be easy pickings for Napoleon's army.



In the end, Tomé Pires, the Portuguese apothecary, adventurer, and author we met in Chapter 4, had not quite gotten it right when he famously said, “Whoever is lord of Malacca has his hand on the throat of Venice.” In order to strangle it, one needed to be lord not only of Malacca, but also of Sunda, the Cape of Good Hope, and the Spice Islands. The Portuguese had not quite been up to it, but by the mid-seventeenth century, the Dutch had finally cornered the spice market and throttled Venice.

The most profitable part of the VOC’s business took place entirely within Asia and thus avoided the long and treacherous Cape route altogether. When the Tokugawa shogunate threw out the Portuguese in 1638, the VOC acquired a Japanese trading post on the small island of Deshima in Nagasaki harbor. The Japanese created this artificial island from landfill for the express purpose of enforcing isolation from what the Tokugawas saw as the two most dangerous Western influences: Christianity and firearms. At Deshima, silver was loaded onto Dutch boats until the Tokugawas forbade its export in 1668, and the Dutch replaced it with gold and copper.

The Dutch were a good fit with their isolationist hosts. Both enjoyed strong drink and carousing (which were eschewed by the abstemious Portuguese), and the Calvinists were far less obsessed with saving heathen souls than with making profits. (Charles X of Sweden, in reply to a diplomat from Holland who lectured him about freedom of religion, famously pulled a Dutch coin from his pocket with a sly, “*Voilà votre religion.*”<sup>33</sup>)

During the more than two centuries that the Tokugawas locked Japan away from the outside world, Deshima served as its sole window to the West. Initially, the Dutch at Deshima received only the basics, “provisions and prostitutes,” but before long, curiosity got the better of the Japanese. The lure of Western culture and technological knowledge, or “Dutch learning,” would help open Japan long before the appearance of Perry’s black ships in 1854.<sup>34</sup>

Whereas the Dutch got along tolerably well with the Japanese, they offended the Chinese by refusing to sell spices to China’s merchants in Sumatra and Java. Recall that the Chinese consumed spices, particularly pepper, on a larger scale than Europeans, and that the VOC now controlled the lion’s share of the trade. The Chinese responded by sending their silk directly to Japan and Spanish Manila (whence it sailed on Manila galle-

ons to Mexico). Coen retaliated by seizing junks on the Canton-Manila route, further alienating the Chinese, and in 1622, he tried to take Macao. When this attempt failed, Coen forced the Chinese to knuckle under by sinking eighty junks along the south China coast. Their foreign trade at a standstill, the Chinese granted the VOC a permanent trading post on Taiwan—Fort Zeelandia—whose warehouses soon bulged with spices, silks, porcelain, and drugs.<sup>35</sup>

The hub of Asian commerce remained western Java, easily reachable via the roaring forties route discovered by Brouwer. Had the Messiah returned to earth in 1650, he would almost certainly have changed ships in Batavia. Nearly all shipping to and from Holland went through that great port, and it also served as the nerve center of a complex intra-Asian trade network. Fine spices from Indonesia; gold, copper, and silver from Japan; and tea, porcelain, and silk from China transited its warehouses to the east and west coasts of India, where they were traded for cotton. The Indian fabric was in turn sent back to Batavia to pay for more spices, silks, and other goods. This internal Asian trade was as close to a perpetual-motion money machine as the world has ever seen.<sup>36</sup> Only the most exquisite goods—the finest silks, the best-quality spices, gold, porcelain, and precious jewels—went back around the Cape to Amsterdam.

A seventeenth-century English prisoner in Batavia estimated that at any one time, the VOC had up to two hundred ships and thirty thousand men throughout the Indies. Given the high mortality rate among employees—about one-fourth of the men were lost on the outbound journey alone—the VOC required a constant stream of enlistees, and not only from the streets of the United Provinces. So great were its manpower requirements that from the mid-seventeenth century on, most of its soldiers and sailors came from abroad, particularly Germany.

This grisly recruitment effort was run by a specialized corps, composed mostly of women, the *zielverkoopers* (literally, “soul sellers”). Their marks were the young foreign men, mainly from Germany, who swarmed into Dutch cities seeking their fortune. In return for a cut of their signing advance and future pay from the Company, the women advertised room, board, and the sort of entertainments usually sought by unattached young men, during the weeks and months until they sailed for Asia.

The reality fell far short of the promise. One contemporary report described three hundred men in a single attic,

where they must stay day and night, where they perform their natural functions, and where they have no proper place to sleep, but must lie higgledy-piggledy on top of each other. . . . the death rate is so alarming that the owners, not daring to report the correct number of deaths, sometimes bury two bodies in one coffin.<sup>37</sup>

Holland being Holland, this Faustian transaction yielded a financial instrument, in this case the *transportbrief*—a marketable security entitling the *zielverkooper* to a cut of the recruit's wages, paid by the Company as they were earned. Other investors then bought these securities at a discount that reflected the high death rate of VOC personnel and assembled them into profitable, diversified pools of human capital. These magnates were called, naturally enough, *zielkoopers*—buyers of souls. When, in the eighteenth century, the mortality among the VOC's soldiers and sailors soared because of lax Company procedures, many *zielkoopers* went bankrupt.

Over half of the million or so men who embarked from Holland's wharves for the East never returned. In the words of the economic historian Jan de Vries, "It is hardly an exaggeration to say that the Company swept the city streets of beggars and the unemployed."<sup>38</sup> The low quality of these recruits would eventually be the Achilles' heel of the VOC. By contrast, the EIC realized that it needed men who could sail, handle cargo, and fight to serve on its relatively small and undermanned Indiamen. The English Company selected only the most qualified applicants and granted them exemption from the Royal Navy's press gangs.<sup>39</sup>

If hundreds of thousands left Holland's wharves to meet a miserable and terrifying end at sea or in pestilential Asian ports, the return of cargoes from the East was something else again. The VOC posted lookout ships on constant patrol in home waters, and prize money went to the captain whose crew first espied the homebound East Indiamen.

High-ranking Company representatives sailed out to the returning vessels on sloops. Their first destination was the flagship, where the expedition's commander gave them a brief report. What goods were on board? How many men and vessels had been lost? Had any strange vessels come near the fleet on their approach to the harbor? The greeting party then split up among the returning vessels. Each ship's master gave up the leather bag containing diamonds and jewels as well as the ship's log, which was carried back on the delegates' sloop. The delegates then inspected the crew's personal trading accounts and bags. They questioned the officers and crew

about the voyage. Did the officers and mates have anything to say about the crew? Did the crew have any complaints about the ship's command? The delegates used specialized shallow-draft boats called lighters to collect cargoes and prisoners, as well as the crew's equipment, clothes, and personal trade goods, and inspected the ships' guns and ammunition.

Specially bonded lightermen came to break down the bulkheads and chute the spice bales down to the waiting boats. This hot dusty work burned the throat; the lightermen relieved their discomfort with gin and sugared pretzels. Finally, the delegates descended to the ship's bottoms, where they supervised the unloading of the heavy ballast goods: Javanese rice, Japanese copper, and lesser-grade Chinese porcelain. (Higher-grade porcelain traveled on the upper decks.) The filled lighters now sailed into the inner harbor, where they dispersed among Holland's complex network of inland canals to the warehouses of the *kamers* (the Company's regional branches). Their shipboard duties done, the delegates departed in their sloops and reassembled at the company's headquarters, where they presented the leather bags of gems to the Heeren XVII to be opened.

Now came the hard part: distributing the vast amount of goods without depressing prices. The VOC used many different arrangements, but the most common involved selling the entire stock of a given commodity at a fixed price, with the promise that the Company would refrain from releasing any future stocks for a predetermined period—in Dutch, the *stilstand*—so as to protect the buyer. For example, in 1624 a syndicate of three spice merchants contracted to buy over two million pounds of pepper at a wholesale cost of four million guilders with a *stilstand* of twenty-four months. It would be more than a century before the trading companies and merchants of any other nation were able to regulate commerce on so grand a scale.<sup>40</sup>

So complete was the VOC's control of the spice markets that for more than five decades after 1690, it could fix nutmeg and clove prices at a nearly constant level. This ability did not come without effort, especially considering the wild fluctuation in crop yields. In 1714, 1.5 million pounds of cloves were harvested in the north Moluccas; in 1715, two hundred thousand pounds. In 1719, the harvests were so large, and European demand was so small that 4.5 million pounds of cloves and 1.5 million pounds of nutmeg had to be destroyed. One year, the Dutch would plant aggressively; the next, they would exterminate tens of thousands of trees.<sup>41</sup>

Just as the arriving fleets, lighters, and warehouses groaned with the opulence of Asia, the bounty of Europe could be seen on its way out: German rope, Russian canvas, Norwegian lumber, Iberian salt, French soap, English leather, cheese from Edam, coal from Newcastle, herring from Holland, and coins minted from New World silver.

Few things excite the envy and belligerence of other nations as much as wealth derived from commerce. This emotional undercurrent permeated Anglo-Dutch relations during the seventeenth and eighteenth centuries, when England and Holland would engage in four full-scale armed conflicts. These were literal trade wars, not the sterile commercial and diplomatic pantomime of our era.

The signing of the Treaty of Münster in 1648, which ended the Eighty Years' War between the Dutch and the Spanish and granted the Netherlands its independence, unleashed the full potential of Dutch trading capacity, which before then had been restrained by the threat of Spanish seizure and blockade.

Holland's new commercial power came as a rude shock to England. With the Spanish threat gone, the English were even less of a match for Holland's merchants. Suddenly, the Dutch were everywhere in the Baltic, in Spain, and on the Mediterranean, loading onto their flute ships timber, salt, wines, and olive oil that had previously sailed under the flag of Britain.<sup>42</sup>

The resultant slump in the English economy, as well as the high-handedness of the Dutch in the Indian Ocean and their rejection of Oliver Cromwell's overtures at forming an anti-Catholic union after the beheading of Charles I in 1649, led to the passage of the Navigation Act in 1651. This legislation prohibited third-party trade into England—that is, although it was perfectly legal for a foreign ship to land its own nation's goods on the wharves of London, landing the goods of another nation was outlawed. Since this law applied to most cargo on Dutch vessels, the act amounted to a declaration of war against Holland.

Cromwell's navy and privateers began seizing hundreds of Dutch flutes, and within seven months of the act's passage, the first of the Anglo-Dutch wars began. All together, three such conflicts broke out between 1652 and 1672. Each was closely fought, and the Dutch generally came out on top.

In the first war, which lasted until 1654, Holland's shipping in northern Europe was devastated by the capture or sinking of more than 1,200 of its ships. Yet in the end, the Dutch carried the day through their ability to control the choke points at Gibraltar and at the strait between Sweden and Denmark. English merchants, trapped in Swedish, Italian, and German ports, and the Royal Navy, with its supplies of Scandinavian timbers threatened, pressured Parliament to sue for peace.

But only for the time being. Holland was most vulnerable at the Oresund, a strait 2.4 miles wide between what is now the Danish city of Helsingør (Hamlet's Elsinore) and the Swedish city of Helingsborg. Vital Scandinavian and German grain, timber, and metals, which fed and supplied Holland, and the herring and manufactured products that paid for them, all flowed through this vital passage. In the sixteenth and seventeenth centuries, the Danes, who could fire on any ship in the strait from forts on either side, collected tariffs—so-called “sound dues”—on all merchant traffic through it. As Dutch naval and merchant power grew, so grew the importance of stability and a reasonable tariff structure at the strait, and the weaker Denmark found itself Holland's client state.

In 1658 Charles X of Sweden attacked Copenhagen and the strait. Since Sweden and Denmark were allied with England and Holland, respectively, this became an Anglo-Dutch proxy war. The Dutch, although bloodied and exhausted from the conflict of 1652–1654, mustered their last naval and land reserves to force the Swedes and the English, whose navy had begun patrolling Danish waters, to back down. In a dramatic series of engagements, the Dutch admirals Obdam and de Ruyter broke the Swedish siege of Copenhagen, flushed the English out of the Danish archipelago, and opened the Oresund by escorting a large merchant convoy through a withering Swedish crossfire and under the astonished eyes of Charles X, watching from Helsingør castle.

Resentment of the commercial hegemony of the Dutch was not limited to England. In 1667, France challenged Holland's Baltic trade when Colbert, the finance minister of Louis XIV, set up the *Compagnie du Nord* to ship French salt and wine to Sweden and Germany, a trade dominated by the Netherlands. At the same time, Colbert imposed draconian tariffs on Dutch fabric, tobacco, and whale oil.

Holland's formidable financial firepower won the day; the *Compagnie* could not equal the ability of the Dutch to pay French merchants

in advance for their wine and salt. Colbert should have known better than to match fiscal wits with the Dutch, who, adding insult to injury, targeted the Compagnie by dumping Scandinavian wood on French markets at reduced prices, greatly lowering the value of the timber imported by the Compagnie du Nord.

The French responded with trade competition by other means and invaded Holland in 1672. Stadholder Willem III defeated the French by opening up the dikes and flooding the approaches to Amsterdam. Frustrated both in the rough-and-tumble of commerce and on the field of battle, Louis XIV and Colbert folded the Compagnie in 1675. Adding insult to injury, in 1688 Willem essentially invaded England and ascended the British throne as King William with the express purpose of establishing an anti-French alliance.

The period after 1648 marked the golden age of Holland, captured so well by Rembrandt and Vermeer. Not only did it sit astride the world's trade routes, but its manufactures had few peers. By the late seventeenth century the Turks had grown so fond of the almost silken Leiden wool that Venetian craftsmen were unable to compete; in 1670, Venice's senate concluded that the only way to revive its textile industry would be to import Dutch equipment. English importers sent Holland their raw sugar for refining, their raw tobacco for processing, and their raw diamonds for cutting. Continental housewives demanded Delftware, an inexpensive imitation of Chinese blue porcelain, and the soap and lamp oil obtained from Dutch whaling advanced European standards of hygiene and made the nighttime streets safe. Even paper, the traditional preserve of Italian and French manufacturers, fell to the smooth, white reams of the northern city of Zaan.<sup>43</sup>

The decisions of merchants and politicians in London, as well as the shifting tastes of Western consumers, would soon end the Dutch golden age. Ironically, Willem III's capture of the English crown set in train events that cleared the way for England to replace Holland as the world's economic and military superpower. The era of spices was coming to an end, and Britons, frozen out of the East Indies, turned their attention north to India and China, and west to the Caribbean and Africa, where they would prosper from the commodities of the future: cotton, tea, sugar, opium, and slaves.