Global trade & the Dutch hub: understanding variegated forms of embeddedness of international trade in the Netherlands: clothing, flowers, and high-tech products

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Methodology and case selection

A small-N comparison of international trade
nodes of different products and value chains
within the Netherlands

In a way this study has a hybrid character. In one respect we can label this study that is focused on the current position of the Netherlands as an international trade node, as a single outcome study: a study that takes as point of departure a single case with a relatively stable outcome on a clear dimension, and tries to explain that outcome. The quantitative and theoretical work presented in the WRR report on the Netherlands as a trading nation (WRR, 2003) can be interpreted as a single outcome study. Different arguments are put forward to explain the relatively strong Dutch position in international trade. In line with this reasoning, the WRR report can be seen as a precursor to this work: it is a closer examination into nodes of international trade in the Netherlands.

The hybrid character of this research appears when we take into account that, on theoretical grounds, it is quite doubtful any trade node, regardless of its setting, can be fully understood as a single-case study. An important assumption that I make is that at least three types of trade nodes can be distinguished and that the embedding of trade differs quite strongly between each of these types of hubs, and from one type of value chain and world of production to another. Consequently, I expect trade to be embedded differently in different places and cases in which it occurs. Viewed from this perspective, the Dutch trade node is no longer a single outcome, but rather a series of multiple outcomes of multiple cases, each covering different trade activities with their own particular attachment to the Netherlands. In this vision, the WRR report and general gravitation models on trade do not sufficiently account for the large variety of activities hidden behind quantitative trade data. Research into Dutch trade nodes of different value chains and in different worlds of production could then result in a comparative small-N case study into the mechanisms and circumstances that generate different kinds of trade nodes and attachments of trade.

Instead of approaching the Netherlands as a single case and comparing its outcomes to foreign trade node cases, the level of analysis in this study will be focused on value chains and related trade activities within the cases: I compare different types of trade nodes and embedding of different products and value chains within the Netherlands. This elucidates which mechanisms and characteristics are important for the development of different types of trade nodes and different types of value chains and worlds of production. Consequently, the cases in this study are cases of international trade nodes within global value chains located in the Netherlands, rather than an isolated view of Dutch trade nodes as independent entities. I have chosen three such cases for this study. Comparing these three cases will illustrate the attachment of trade nodes to a location in general and to the Netherlands in particular. The overall picture of the Netherlands is a unique case of its own, and as such, a single outcome study.

3.1 What can a case study tell us?

The aim of this study is not to test the explanatory framework for the place-specific embedding and development of international trade activities I have constructed in the previous chapter. Rather, the aim is to use this framework to gain a clearer understanding of the situation in the Netherlands and, where possible, to explore the different mechanisms that lead to place-specific concentration and location of international trade in global value chains. This will result in a clearer and more developed set of hypotheses on the development of international trade hubs. Consequently, this research is explorative in character.

Nevertheless, it is essential that we isolate conclusions drawn from the comparison of cases only applying to the Netherlands from those that have a broader validity. Accordingly, we must distinguish conclusions on trade mechanisms from conclusions that are merely specific to the Dutch context. This can be complicated since the context of Dutch history and government is to a large extent the same in every case studied. However, with experiments of thought we can try to get these general mechanisms into view. Retroduction is a way to translate knowledge of a specific case into knowledge of something else. We then ask the question: what makes X possible? (Danermark et al., 2002). Counterfactual thinking is possibly the most important tool in this. It includes the asking of questions like: '*how would this be if not…? Could one imagine X without…? Could one imagine X including this, without X then becoming something different? In counterfactual thinking we use our stored experience and knowledge of social reality, as well as our ability to abstract and to think about what is not, but what might be* (Danermark et al., 2002, p. 101). A lot of general correlations like those between high trade volumes and small countries, nations bordering the sea, and working populations with good

language skills are already proven to exist. My focus is on the mechanisms behind these correlations and the situations in which these mechanisms are at work. These case studies will then lead to the formulation of better-informed hypotheses on the mechanisms behind these correlations.

Case studies are very good tools for explorative hypotheses generating research since they give the opportunity to delve deeper into the subject, gain insight in causal mechanisms and to go further beyond mere statistical reasoning like that done in cross-case studies that find regularities or correlations within a large database of trade flows between countries and various national characteristics. Case study research and an intensive research design make it possible to get more understanding of why and how variables relate to each other and allow us to place these relations within a historical and geographical context.

The explorative character of the research should not be mistaken for a mere descriptive account of trade and distribution sectors in the Netherlands in the tradition of ideographic regional science, since it is possible to use a case study for theory building. This is what the (critical) realistic approach in social science claims (Sayer, 1989). According to a critical realistic conception of science, science revolves around gaining insight into actual existing structures and generative mechanisms and tendencies that create reality. This is not a search for mechanisms as laws, since what is also important in a critical realistic social science is the idea that these mechanisms do not alone define what happens and what we happen to observe. Circumstances influence whether a specific causal power will manifest itself or not (Danermark et al., 2002). The world operates through conjuncture, not through law-like mechanisms that operate independent of place and time. In short, context matters (Hall, 2003).

A realist approach to science, as Sayer (2000) describes, is not pessimistic and relativist at all: it does not state that we can never know which interpretation is better than another. Although we can only know the world in our own terms, we can evaluate different discourses and explanations and discriminate better ones from worse. Of course observations, like those in this study, are theory laden, this does not necessarily mean that they are determined by theory: it is possible to see new things not yet incorporated by theory (Sayer, 2000).

3.2 Research method and method of analysis

To really understand an object of study, in this case the embedding of international trade in the Netherlands, it is important to place it in a geographical and historical context. I will do this in Chapter 4 by paying attention to the historical developments in policy and institutions related to international trade in the Netherlands and the respective case

study chapters. Small-N comparisons are especially suitable to understand mechanisms and place them in their context (Hall, 2003). In this way I have tried to develop theoretically informed insights into the mechanisms of trade concentration and embedding and into the context in which these mechanisms were able to lead to the embedding of trade activities in the Netherlands.

Following an intensive research design to get a rich set of data on my cases from different fields of expertise has enabled me to analyze the subject from different angles and to contextualize my findings. A literature and document study has been conducted into the role of international trade and distribution in Dutch economic policy. For the three case studies I have conducted semi-structured interviews with around seventy (high-level) executives in companies and associations of the industries involved in this research and other experts in the field. In the interviews with firm representatives I used the topic list found in Appendix 1. In addition, I have used global, European and Dutch statistical data on the trade and distribution of flowers, clothing and high-tech products. Professional journals and company websites and publications form other data sources I have consulted. In the case of flower trade, reading and analyzing the traders' magazine 'Groot Handelsblad' for more than two years has been a very important source of information. My research is rounded out by my attendance and observations of meetings and trade fairs in the flower, clothing, and logistics industries. An overview of the interviews and meetings I attended can be found in Appendix 2.

To analyze my cases I have labeled transcriptions of interviews and meetings I have attended as well as all the other written materials such as websites texts, reports, and official documents. The qualitative data analysis software of Atlasti has helped me to search through all the labeled text fragments, documents, and texts that I had in digital format and has, I think, reduced the chance of overlooking parts of the information gathered. However, it has only been by reading and re-reading that I have been able to get grip of the data gathered and to interpret them. I have tried to use the last interviews in every case study also to test (parts of) my interpretations of earlier interviews and readings into the subject. In this way I have tried to come to well informed insights and conclusions. To preserve the anonymity of firms, each firm in the research has been given an industry initial beginning with P (which refers to the primary documents in Atlasti) and a randomly assigned number to refer to them in the text.

3.3 Case selection

3.3.1 Concentration of trade

When there is no concentration of trade the connections in a network between producers and users will look like figure 3.1. This study is primarily concerned with more centralized trade concentrations pictured in figure 3.2. This figure shows three ideal types of international trade concentration.

Figure 3.1: A value chain with only local entrepots or no concentration of trade and distribution
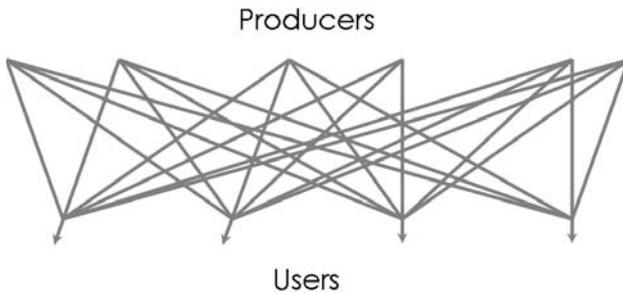

Figure 3.2: Three ideal types of spatial patterns of value chains in which concentration of trade exist
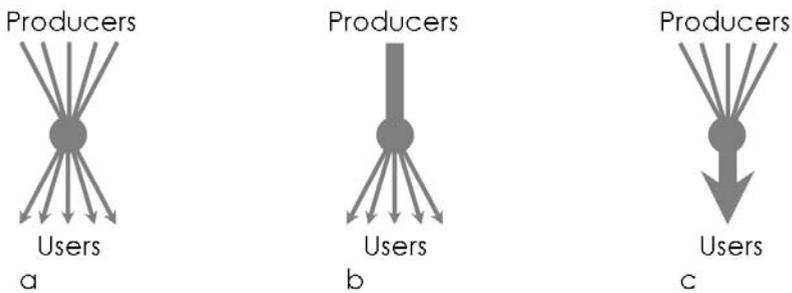
Figure 3.2a shows a case where a trade concentration takes products from many different producers and geographical locations and redistributes them to many different users in many places. Figure 3.2b illustrates when connects geographically concentrated producers to users in many different places. Figure 3.2c reflects the case in which the concentration of trade and distribution links a geographically scattered supply to a single area of demand. This study focuses on all the cases of figure 3.2, in which there is a clear concentration of trade, and trade forms a kind of node within an international value chain. These trade flow forms can, of course, be found on a larger, more international scale as well as a smaller, local geographical level. For example, American, European and Asian markets can be connected through one large trade node, but a concentration of trade can also connect markets at a national level. An example of this could be found in a national trade centre or a regional wholesale centre for fresh products. The cases in this study are all examples of situations in which a trade node connects international markets.

Pragmatic considerations have made me focus my selection of cases where both trade and distribution take place. When only trade takes place in the Netherlands (goods do not enter or leave the country) this is called triangle trade. Data on this kind of trade is only available as an aggregated category of 'trade in goods'. This 'trade in goods' category includes many different kinds of goods. The commonality of this trade is not the good involved, but the fact that it is involved in triangle trade. Accordingly, it is impossible to use this category for case selection of a specific good. Therefore, in my case selection I have used data on trade in goods that physically enter the country, come into the legal possession of a Dutch based company (which can also be a branch of a foreign multinational) and subsequently get exported: re-exports.

3.3.2 Re-exports

Since we are focusing on the international trade of goods in the Netherlands, cases of throughput are not included. Throughput includes goods transported to foreign countries through the Netherlands, as is the case when say goods from China destined for Germany are routed through the Port of Rotterdam and from there are trucked to Germany. We are focused on cases of re-exports, that is, goods that are imported, come into legal possession of a Dutch firm and are subsequently re-exported. These goods do not undergo any industrial processing that transforms them into another statistical category. Since the data on re-exports is very limited, I have consulted other import, export and production data to verify whether or not it shows concentration for the selected cases in the Netherlands. The Central Bureau of Statistics of the Netherlands (CBS) gives only data on re-exports at a highly aggregated level (Table 3.1 and Figure 3.3).

Table 3.1: The value of re-exports from the Netherlands from 2002-2007

	2002	2003	2004	2005	2006	2007
					(billions of Euro's)	
Food and livestock	6.2	6.4	7.0	7.3	7.9	9.3
Spirits and tobacco	0.6	0.5	0.6	0.5	0.6	0.6
Raw materials, uneatable	2.9	3.0	4.3	4.7	6.0	6.6
Mineral fuels and lubricants	4.8	4.4	4.7	6.9	10.1	11.9
Animal and vegetable oils and fat	0.5	0.5	0.6	0.7	0.7	0.8
Chemical products	11.7	11.7	13.8	15.0	17.2	20.8
Fabricates	75.8	7.4	82.4	8.7	11.6	14.2
Machines and transport material	49.7	49.2	56.0	60.7	66.5	72.3
Diverse manufactured goods	13.9	14.7	15.6	17.3	19.2	180.6
Other goods	0.1	0.1	0.1	0.1	0.2	0.1
Total for goods	98.1	98.0	110.9	122.0	140.0	155.1

Source: StatLine (Statistics Netherlands, www.cbs.nl)

Figure 3.3: The development of the value of re-exports in the Netherlands from 2002 to 2007
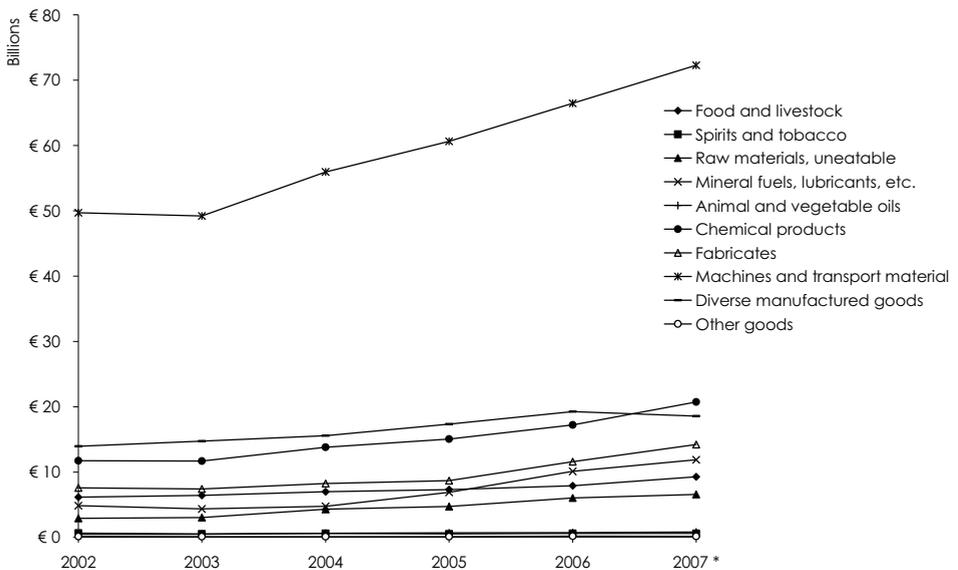
Source: StatLine (Statistics Netherlands, www.cbs.nl)

From this data it is clear that machines and transport material, chemicals and diverse manufactured products are all important re-export categories. However, this level of data aggregation does not suit my selection of cases well. For more suitable data I

analyzed import and export statistics of specific goods. Intracen data records show that in 2003, the Netherlands was the second largest world exporter of computer equipment and the largest exporter of automatic data processing machines (8.4 percent share in world trade). Eurostat data showed the importance of the Netherlands in Europe as an exporter of clothing, taking into account the fact that, contrary to some other large European clothing exporters, there is almost no production of clothing in the Netherlands. Per capita, the Netherlands was the tenth largest clothing exporter in the world in 2006 (Intracen). The case of the flower trade seems rather remarkable since the Netherlands is the largest flower exporter and flower market in the world, with more than fifty percent of the world's exports in 2006 (Intracen) of which an increasing share consists of re-exports of flowers imported from Africa and South-America.

3.3.3 Theoretical arguments for these cases: diverse case selection

As discussed above, I have chosen cases of re-exports that show concentration in the Netherlands. A second criterion has been to include cases that cover the different types of trade nodes that I distinguished earlier. An important hypothesis this study starts with is that different types of trade nodes show a different way of geographical embedding. In order to see if this is true, cases have been selected that cover the three basic types of trade nodes. Also the type of goods and markets as reflected in the world of production are believed to influence the role and embedding of trade. Therefore the cases have been selected in order to cover different worlds of production. Lastly, the cases cover every governance model in the value chain that has been distinguished in chapter two: market, modular, relational, captive, and hierarchic.

With the Dutch flower auctions being so prominent in world flower trade this case represents a market node of trade. I expected trade in the value chain of the flower industry to be mainly organized through market relations.

I have chosen trade in high-tech products as a case of a distribution node because of the importance of European distribution centers of high-tech products like computers in the Netherlands (BCI, 1996, De Ligt and Wever, 1998). I expected trade in this case to be mainly hierarchically organized but also a modular way of organizing trade activities to be important since literature on high-tech producers suggests an importance of outsourcing by lead firms through modular relations (Sturgeon, 2003).

The case of clothing trade has been chosen as an example of two types of trade nodes. On the one hand I expected international clothing trade in the Netherlands to be part of the distribution node and to take place within a highly integrated value chain like in the high-tech-product industry (BCI, 1996). However, literature (Scheffer and Duineveld, 2004) has illuminated the role of private-label providers in the value chain and the relative importance of the Netherlands as private label-provider. Trade through

these private-label suppliers could be understood as trade through a trade-network node. In the private label sector I expected the existence of network types of governance (modular, relational, and captive) to be present since traders in the trade-network node connect a supply base with limited capabilities to a highly demanding market. I expected personal relations and shared conventions to be more capable of understanding and translating market wishes to producers. Therefore, I included trade in clothing as an example of a trade-network node and a value chain with network types of governance of trade and focused in my research intently on these private label producers. In value chains organized with Dutch private label providers, I expected the existence of relational know-how to be the most important explanation for the strength of the Netherlands in the trade of this good.

To get different worlds of production within a selection, I used general knowledge of industries and goods. I expected cut flowers mainly to be part of the Industrial and Market Word. I expected clothing also to be part of these two worlds (basic collections and fashionable ready-to-wear), but also possibly be part of the Interpersonal (made-to-measure) and Intellectual (haute couture) World. Lastly, high-tech products could also be part of every world of production, but in the many European distribution centers in the Netherlands, I expected products from the Industrial World and the Market World to be the most important. The wide variety of worlds of production that are present within and among the cases, enables to compare the embedding of trade within one world of production but within different types of trade nodes and for different worlds of production within one trade node.

Being so different with respect to product and market characteristics, value chains, and the activities that take place in the Netherlands, I expect the case studies to cover the possible set of mechanisms that attract trade and distribution to a specific place and to give a good picture of the varied embedding of international trade in the Netherlands. Furthermore, although a study of diverse cases cannot tell much about the distribution of these cases in the Netherlands, it is a useful tool to generate hypotheses since they probably represent the full range of possible trade activities and outcomes related to the embedding of international trade activities.