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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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The creation of the Dutch trade node

Nationwide support for the development of a distribution node through industrial and spatial policies

“For many years the Netherlands has had a very strong position in international supply chains due to our [...] geographical location and hinterland connections, but also because of our policy, coordinated between government and business interests – for which we are commended internationally – to strengthen the competitiveness of the Netherlands as a business location⁹”

This chapter outlines the political-economic context in which the Dutch trade hub and its specific assets or conditions have developed. In the previous chapters three main types of trade business that create re-exports have been mentioned, each depending on different assets.

- (1) Distribution centre: no trader is involved in re-exports of goods here, only logistics service providers and European distribution centres with some semi-production activities. Control of the value chain and generally also coordination of the distribution activities is in the hands of (foreign) lead firms. Distribution efficiency is the main reason for location in the Netherlands. This is created through a multilingual labour market, an attractive fiscal climate, and fast customs, and an excellent physical infrastructure for logistics activities.
- (2) Marketplace: a central place where buyers and sellers find each other. Distribution efficiency is important here, but logistics, and product and market knowledge needed to operate the market is also important. Further domestic

⁹ Commissie Van Laarhoven (2006, p. 5), translation mine.

production plays a role since it is the basis for the creation of that market. Products and traders are attracted by the already existing marketplace. Although control of the marketplace is in the hands of local players, the control in the value chain does not necessarily have to be. The marketplace mainly operates in a value chain that is not very integrated.

- (3) Trade-network node: companies operating as part of the trade-network node function as a gateway to international production and market areas. These companies are intermediaries and coordinators of parts of the value chain. This type of trade role comes closest to the classic trade role of the intermediary between different cultures, languages, conventions, or institutional environments (such as in the work of Biglaiser, 1993, Biglaiser and Friedman, 1994, Feenstra and Hanson, 2004, Petropoulou, 2005, Rauch, 2001, Schröder et al., 2003). Coordination of parts of the chain, especially production, does not imply any control of the chain. Control of the chain is in the hands of lead firms that are certainly not always Dutch.

Of course, as has been explained in the previous chapters, within these different types of trade nodes every case has its own specific characteristics, which make it difficult to speak generally about the trade function of the Netherlands. Nevertheless, it is possible to see some general trends in Dutch economic policy that explain the conditions and trade roles the Netherlands has developed over time.

The first point I will make is that Dutch economic policy has been very focused on the development of the first type of trade, that is, trade created through distribution centers. Only recently has trade created by trade-network nodes received some attention. Lastly, the marketplace seems to be forgotten all together in economic policy. Although the development of the role as distribution centre has become deliberate policy from the 1980s onward, many assets related to this role have already been created and developed long before, first as a result of neutral and very liberal stances in trade issues when these were still part of foreign policy. Later on, especially after the Second World War, the role of the Netherlands as distribution centre has been developed as part of an industrial policy that had export stimulation as an important cornerstone. In the corporatist economic structure the interests of an industry and business elite played an important role. In this political environment the idea of a de-industrializing country that could develop a role as international trade node did not gain much strength. Instead, industrialization and export stimulation were the backbones of the economic policy of those days. But when this policy of industrialization, when necessary with financial support from the state, led to a fiasco in the 1980s, change took place.

A view began developing that the strength of the Netherlands was not to be found in its industries but instead in the service sector. A strong coalition was formed in

favor of the development of international distribution activities in the Netherlands. This led to large state investments in infrastructure in the 1990s up until today. The crisis in the early years of this new millennium has created the most recent shift in thinking on the competitive strength of the Dutch economy. For the first time the attention on the role of trade-network nodes has become more prominent, as different policy documents argue for the development of coordination and control functions in the Netherlands. A closer look at these arguments reveals, however, that they still mainly support the distribution hub.

An important question is whether or not this policy to develop a distribution hub can be seen as a strong competitive strategy, as described by Jessop (1998), that really territorializes international trade in the Netherlands instead of only temporarily capturing mobile factors of production. A second point I will make in this chapter is that, although the Dutch strategy has been prone to imitation and has characteristics of a weak competitive strategy, it also shows signs of a strength. This is especially true because of the adaptive capacities present in the Netherlands, as a result of joint action by public and private institutions that enable shifts to new competitive strategies once an old one has passed its prime.

4.1 Trade-related policies in the Netherlands up to the 1980s

4.1.1 *Neutrality and free trade*

For a long time Dutch trade policy was part of the Ministry of Foreign Affairs. It consisted primarily of a free trade policy with instances of protectionist measures in difficult times. Nevertheless, protectionism was never strongly supported by interest groups and policy makers (Moquette, 1993). The interests of the business elite in colonial trade, banking and shipping, who were in favor of free trade and non-intervention in trade issues, had a great influence on Dutch trade policy (De Vries, 1977, Van Zanden, 1999)¹⁰. Of course Dutch trade policy was also very dependent on the policies of its

¹⁰ An example of this is the situation in the eighteenth century when Dutch industries were in decline because of competition from abroad, but the country did not become protectionist. Following Van Zanden (1999) this was the result of the very influential interest of the Dutch business elites in colonial trade, banking and shipping. Also, between the First and Second World Wars, when world trade was in decline due to increasing protectionist measures by various governments like France, Spain and Germany, the interests of trade, shipping, and large export-oriented industries played a role in Dutch trade policy. These interests got much more attention than those of the rising, home-market oriented industries in the south and east of the country, for which protectionist measures could have been beneficial (Klemann, 2007). But what also plaid a role was that Germany and France, which started to use negotiable tariffs on import during the 1920s, did not depend to a fair extent on any product exported by the Netherlands. Therefore it was almost impossible for the Netherlands to react to the German and French tariffs with own negotiable tariffs. The volume of Dutch exports was simply too small to become a dominant party for negotiations (Klemann, 2003, Klemann, 2007,

larger neighbors and main trading partners like Germany, the UK, and France¹¹. However, the Netherlands followed a relatively liberal trade policy in which non-intervention and neutrality were the pillars. Economic development was not a goal of trade policy far into the twentieth century, notwithstanding the fact that trade was a fast growing sector¹².

From 1932 on, trade policy became part of the Ministry of Economic Affairs, meaning that more attention was paid to the economic effects of international trade policies (Moquette, 1993). This didn't necessarily change the Dutch stance in international trade. After the Second World War when trade policy became part of relatively closed economic blocks, first within Benelux, and later on within the EEC and its successors, the Netherlands stayed relatively open to trade (Kol and Mennes, 1992, Klemann, 2003). Between 1978 and 1984, for example, the Netherlands, together with the other Benelux countries, Germany and Denmark used the option to restrict trade with exemptions on European import quotas much less than other European countries (Kol and Mennes, 1992).

4.1.2 Industrialization and export stimulation

In 1949 when Indonesia became independent, the Dutch who had always thought of themselves as '*a nation of farmers and merchants which could prosper thanks to its large colonial empire*', had to find a new '*destiny*' for themselves, as Van Zanden (1999, p. 185) describes it. Industrialization became this new destiny from which the whole country should benefit. An equal distribution of economic development, growth, and prosperity became an important goal of economic policy. Since the Netherlands is only a small country, export markets were thought to be needed for Dutch industries to develop and

De Vries, 1977). Moreover, other interests became important as well during this period, resulting in some protectionist measures between 1930 and 1950. The agricultural sector was particularly protected from the 1930s onward. Dutch agrarian products had lost many of their export markets so protectionist measures and government aid had to keep this sector on track. Although these measures were detrimental to prices and competitiveness, a strong agrarian lobby, their electoral importance, and sympathy from the urban public resulted in continued aid to the sector (Klemann, 2003).

¹¹ For example, in the 19th century trade liberalization took place in the Netherlands to a large extent as the result of pressures from the British, who ended lots of protectionist measures in the 1840s (end of Corn Laws, lowering of import tariffs, end of Navigation Acts). Also in France, Germany and Belgium liberalization began. The Netherlands followed these countries by reforming its trade laws, abolishing its shipping and Corn Laws, and by lowering import tariffs to an internationally low level (Van Zanden and Van Riel, 2000, pp. 233-235). Around 1870 trade was liberalized in the Netherlands. The '*Cultuurstelsel*' (Forced cultivation) in which villagers in the Dutch colonies had to give two-fifths of their agricultural products or one fifth of their working days in a year to the Dutch, was almost dismantled and Dutch private entrepreneurs were free to operate in the Dutch East-Indies (from 1824 onward only The Dutch Trade Company NHM had had the right to trade with the Dutch East-Indies) (Jonker and Sluyterman, 2000, p. 177).

¹² In the 19th century trade and traffic were the fastest growth sectors of the economy in the Netherlands, but they counted only for 11 percent of jobs for the working population. So the contribution to national income was probably lower than that of industry and agriculture (Griffiths, 1980). However, trade and traffic were very dynamic economic sectors in the nineteenth century (Griffiths, 1980).

grow. In this way trade policy became part of a policy to stimulate exports of Dutch industrial goods. The main tools for export stimulation were measures to create competitive cost levels to compete on price, the development of infrastructure to easily reach export markets, and the creation of different associations and organizations to stimulate exports through knowledge dissemination. Collaboration between different levels of government, from national to local, and support from the private sector has been important in many of these policies.

Competitive cost levels: labor costs

To stimulate exports and employment, cost of living and wage containment were considered essential. Wages were kept low through coordinated wage negotiations that started as early as the 1930s at the national level (Klemann 2003). After the war a new structure was created where labor and employers' organizations, guided by the government, negotiated about wages. Until the end of the 1950s, this system of tripartite wage negotiations was very successful in keeping wages low (Van Zanden, 1999, p. 184). However, as soon as the goal of full employment was reached through this low-wage competitive strategy, there was a price to pay: a sharp increase in wages. This happened in the 1960s and 70s and again in the 90s (Klemann, 2003, Klemann, 2007). With increased labor shortages wages exploded in 1963¹³ and it was only with the national Wassenaar Agreement of 1982 that an end came to more than a decade of severe wage increases. In the Wassenaar Agreement government, workers and employers organizations agreed upon wage restraints. The idea that labor costs are important for Dutch competitiveness has remained an important idea in policy up until today. In the current economic crisis wage restraint is also seen as a strategy to improve the competitiveness of the Netherlands (NRC-Handelsblad, 2009, Ministerie van Algemene Zaken, 2009).

Although wage levels at Dutch companies cannot be translated directly to wage levels of multinationals operating in the Netherlands (Fortanier, 2008), the Dutch collective wage policy including relatively few strikes do seem to have played a role in the development of the Netherlands as international trade node. European distribution centers particularly seek such labor conditions. Price levels and risks for strikes are important determinants for the port a shipping company decides to use, as they determine the reliability of the logistics in a value chain (interview Voorlichtingsbureau

¹³ From 1953 onward actual wages started to increase faster than official collectively set wages (cao-wages). Employers started to seek ways to escape from these tight wage regulations in times of fast economic growth. In 1959 a differentiated wage policy was introduced where increase of labour productivity in an economic branch, instead of the whole economy, became the measure to decide upon how much wage increase was allowed. It turned out to be very difficult to specify increases in labour productivity in specific branches and therefore, in 1963 the system of *wage leadership* failed and the system of wage regulation came to an end, except for the system of centralized wage agreements (Van Zanden, 1997, p.117-119).

Shortsea, March 23 2005 & Hau Lee symposium 1-11-2008). So these wage agreements and restraints and the corporatist structure where labor issues are settled in relative harmony, can be seen as conditions that support a role as distribution centre.

Competitive cost levels: taxes and corporate laws

Through different tax laws, the Netherlands has tried to stimulate exports and become an attractive location for investment. A short overview of such laws shows the effort the Netherlands has taken to create an attractive fiscal climate. Although this has primarily been created to attract foreign industries, it has also become an important strategy to attract European distribution centers.

One of the first measures to attract investment after the Second World War was the Tax Reduction for Investing Companies law that provided for lower taxes when investment took place. This law was introduced in the industrialization plan of 1949. In 1975 this measure was replaced by the WIR (Wet Investeringsrekening), a law to give premiums to investment companies. The execution of this law was not successful and in 1988 the tax reduction for investments law was re-introduced (Van Zanden, 1999). Through other tax laws the Netherlands has tried to stimulate industrialization and position itself as an attractive place for foreign investments. The relatively low corporate tax rate (Lambooij and Peelen, 2006) is a case in point. The participation exemption applying to Dutch holding companies is another method for creating an attractive tax regime. This exemption prevents double payment of tax when a company operates in different countries. This can be very beneficial to companies since earnings are not taxed at a high rate in the Netherlands, meaning if a firm is only obligated to pay taxes to the Dutch state, the overall tax payment for this firm may be dramatically reduced. The Netherlands has also tried to attract foreign companies through transfer pricing laws. Transfer prices are the virtual prices companies use for the delivery of goods and services between its own different branches. Companies can use these prices to adjust profits and losses to those parts of the company located in jurisdictions that are most profitable in terms of tax regime. Transfer prices have become a point of concern and the Netherlands has had to change its transfer pricing laws after criticism from other countries that Dutch laws enabled firms to avoid paying taxes, creating unfair competition (Pijl and Hählen, 2001, p. 615)¹⁴. A more recent measure for creating

¹⁴ The new law is much more transparent than the old one and real transactions within companies are more closely monitored, instead of only looking at the transactions on paper. In the new law *substance* is very important. Companies need to have the authority to make financial decisions in the Netherlands to be considered for Dutch taxation. If the Dutch tax authority suspects this is not the case, it will contact their foreign colleague authorities. (Pijl & Hählen 2001, p. 620). With the new taxation law, the Netherlands meets the OECD obligations and in that sense can no longer officially be seen as a tax haven with no transparency. In practice however, the Netherlands still seems to be a relatively attractive location for international companies. In the first place, it is very difficult to assess whether or not the transfer prices a company uses are correct. So there is still some room for tax-efficient transfer pricing. Furthermore, the new system is faster and

favorable conditions for foreign investments is the Office for Potential Foreign Investors (OPFI), created in 1990. This office deals with all tax-related matters and streamlines potential foreign investment by eliminating the need for foreign investors to discuss consequences of investment with different officials in the fields of corporate taxes, VAT, wage taxes etcetera (Pijl and Hählen, 2001). Such an Inland Revenue authority that *'thinks along with companies and acts quickly'* is generally seen as attractive to foreign firms and, in the words of Grotenhuis, *'can be an impulse to locate a head office in the Netherlands'* (Grotenhuis, 2008, June 21). More recently the fiscal law *'Werken aan Winst'*¹⁵ (Work on Profits) was created. It improves the Dutch investment climate and stimulates innovation, seeming especially favorable for multinationals, since it enables them to organize their internal money flows in order to pay relatively low taxes (Dohmen, 2008b, February 21, Dohmen, 2008a).

In short, there are many indications that the Netherlands has followed a policy to attract foreign investments. When we relate the fiscally attractive business climate created through these tax laws to the role of the Netherlands as an international trader, we can see this tax policy is especially attractive for (foreign direct) investments in European distribution centers. In the case studies when competitive advantage compared to competitors abroad was discussed, these measures were never mentioned by clothing traders operating as a trade-network node, or by companies in the Dutch flower trade. On the contrary, when European distribution centers were at stake these fiscal measures were often mentioned as an important asset of the Netherlands. This is confirmed by data showing the important share investments in European distribution centers take in total foreign direct investments in the Netherlands; this share is much larger than those in marketing and sales or research and development (NFIA, 2008). It's clear these measures mainly stimulate a role as distribution centre. The creation of an attractive fiscal business climate is an important part of Dutch policy up to today. In 2004 the Memorandum *'Peak in the Delta'* from the Ministry of Economic Affairs (Nota Pieken in de Delta) named a competitive fiscal climate as one of three generic measures to stimulate the Dutch economic competitiveness (Ministerie van Economische Zaken, 2004).

the administrative burden for companies is much lower, resulting in lower overhead costs for organizing tax payment. Also the increase in countries with which the Netherlands has tax agreements makes it easier for firms to avoid double taxation (Doets and Van Dam, 2006, p. 345, Lambooij and Peelen, 2006, p. 335, Pijl and Hählen, 2001).

¹⁵ Shortly after the introduction of this tax law it became clear this law enabled firms to find a loophole to only pay a ten percent tax rate. Since this was too harmful to the public treasury, the law was adjusted, but the law still includes many opportunities for multinationals to avoid paying taxes (Dohmen, 2008a).

Infrastructure development

The development of infrastructure to connect the Netherlands with its neighbors already began before the Second World War and continued after that time. It can be seen as the start of investment to develop the Dutch role as distribution centre that would come later. National and local governments and industry elites supported the policy. For example, the decision to dig the Amsterdam-Rijnkanaal to improve connections between the Port of Amsterdam and the German hinterland was already made in 1931. This waterway was completed in 1952. As early as 1945, Schiphol as the national airport, received funding from the national government to improve and enlarge its facilities. Municipal authorities helped to develop infrastructure as well (Van Zanden, 1999, Bouwens and Dierikx, 1997). In Rotterdam, the municipality and local players like captains of industry were important in the enlargement of the port and the investment of new business from the 1960s onward (Jacobs, 2007, p. 84). In Amsterdam the municipal government was involved in enlarging the mouth of the port and creating of new port areas near the sea for industrial and transshipment activities in the 1960s. Amsterdam had hoped to become an important general cargo port (Bosscher, 2007). However, the development of national infrastructure-based economic strategy became much stronger only from the 1980s onward. We will cover this in further detail ahead.

Organizations for export stimulation

To stimulate exports many institutions have been set up. Some of them were already created before the Second World War, but after the war export stimulation really developed as part of Dutch industrialization policy (Salzmann, 1994). Some of these institutions are public, but have been created through joint action of private companies. Together these institutions form a large source of information on international entrepreneurship and stimulate Dutch companies to look beyond the Dutch border. Important institutions in this respect are the Economische Voorlichtingsdienst (EVD, economic information service) that was established before WWII to stimulate exports, the Netherlands Council for Trade Promotion (NCH)¹⁶, set up by Dutch commerce and industry in 1946, and Fenedex, the federation of Dutch exporters. Members of the NCH are companies and enterprises both large and small. They can all use the worldwide network the council has, including its knowledge to become active in international markets. Fenedex was created in 1954 by ten companies that operated internationally and wanted to share their experiences and knowledge to improve the quality of export and internationalization of Dutch companies. Fenedex now has 1350 members and is the

¹⁶ Since 1998 the organization works together with regional chambers of commerce. Since 2007 the NCH cooperates with the largest business organization VNO-NCW and the organization for small and medium enterprises in the Netherlands, as well as the Federation of Dutch Exporters (Fenedex) and organization of technological entrepreneurs (FME-CWM) to improve services for exports.

largest independent Dutch organization of exporting and internationally-operating companies. Knowledge exchange is still an important goal of the organization¹⁷.

Although these organizations could be a great source of knowledge, as we will see in the case studies, they haven't been very important in the development of re-exports in the Netherlands. Companies almost never mentioned these organizations as an important source of knowledge, for example, on how to operate abroad and enter new markets. Specific industry organizations such as those for flower traders and clothing firms seem to be much more important for trader knowledge on how to operate abroad than these export organizations. It is difficult to determine why this is the case, but it could be related to the specificity of these industries or the fact that these organizations only focus on exports, whereas imports are also important to firms that re-export. It is likely that their specialized industry organizations can help them with both, and are therefore more important for them.

4.1.3 Business interests in industrial policy

As Fennema and Heemskerk (2008) show, business elites have had a strong influence on Dutch economic policy for a long time. Although after WWII influence from the state in economic policy increased, there were many interrelationships between the state, policy makers, and the largest Dutch companies that resulted in policies often beneficial to specific industries. In post-war reconstruction labor unions were part of this close collaboration between the state and industry. This resulted in the well-known corporatist structure of the Dutch economy. At the highest levels of state, industry, and labor unions, people changed jobs easily. A Minister could become a member of the board of commissioners in a large company, a chief executive officer could become a high state official, and a leader of a national trade union could become a Minister. But many boards and committees also advised the government, creating strong relations between the state, policy makers, and business elites. The Ministry of Economic Affairs had particularly strong relations with business elites during the era of reconstruction (Fennema and Heemskerk, 2008).

In this business climate, in which vested industry interests had a large say in all different kinds of advice and policy committees, it is no surprise that industrialization was central to economic policy. Although, as we will see ahead in the case of clothing, sharp wage increases were one of the main reasons for early foreign outsourcing of production work and, in the end, has added to a competitive advantage of Dutch

¹⁷ All members should have experience with exporting or at least start exporting in the near future when they become a member. The organization offers education and training programs, consulting, and literature on exports. The organization also supports the interests of exporting companies, for example vis-à-vis embassies, export education, and language education.

clothing firms later on, at the time it was only seen as very problematic. The Dutch clothing sector transformed from a production to trade based industry. In this transformation the amount of jobs did not change in the 1970s, only the type of work changed dramatically, as industrial companies became wholesalers (Scheffer and Duineveld, 2004). But that was not yet understood in the 1970s. As late as the 1980s many thought retaining domestic production of industries like clothing, shoes, and furniture was important (WRR, 1980). Nowhere was the idea being espoused that Dutch industries, as they outsourced production and developed into wholesalers operating in international trade networks, could represent an important new development of competitive strength.

The strong relations between state and industry were very effective in the time of reconstruction since they gave the state a lot of information on what was happening in the largest industries in the country, making all kinds of political decisions easier to make. On the other hand, in the 1980s it appeared these strong relations also resulted in bad policy, as business interests and loyalties towards specific companies could shroud bad policy decisions. The best known example of this is the financial aid the state gave to Rijn-Schelde-Verolme, a large Dutch ship-building company. In spite of two billion guilders of financial aid, under the responsibility of a minister that had been an important businessman in the Dutch shipbuilding industry, Rijn-Schelde-Verolme could not survive and had to be closed (Fennema and Heemskerk, 2008). As a result of this affair, investigated in 1983 and 1984 by a committee of the Dutch parliament, financial aid to specific companies or industries was no longer accepted. However, this did not result in an end to the influence of specific industries on Dutch economic policy. One can argue that the crisis of the 1970s and 80s and the affair described above, freed the way for a new kind of industrial policy *'through the back door'* (Terhorst and Van de Ven, 1998).

4.2 Trade policies from the 1980s on: focusing on strengths, becoming a *mainport*

4.2.1 A focus on strengths: *trade and distribution*

When the policy of financial aid to industries had become a fiasco, the very strong relations between the Ministry of Economic affairs and industry were no longer accepted. This did not mean the interrelation between policy and industry disappeared altogether. From the 1980s onward, a new coalition developed at the centre of which no longer stood the Ministry of Economic Affairs, but rather the Ministries of Traffic, Public Works, and Water Management (Ministerie van Verkeer en Waterstaat) and Spatial and Environmental Planning (Ministerie van VROM). The economic strategy resulting from

the coalition of these Ministries with transport organizations was one to develop the Netherlands as a trade and distribution hub within international transport flows. For this, large infrastructure projects and the development of efficient border procedures and customs were deemed necessary.

The coalition developed in a time when more and more discussion took place about the way in which the Netherlands could overcome the economic crisis and increase prosperity. The economic crises of the seventies and eighties were seen as the result of economic policy too focused on an equal distribution of economic investment across the country and among different industries. This policy resulted in keeping poorly performing industries alive instead of pushing them to become competitive. New reports and advice to government pleaded for stimulation of economically competitive industries and regions (Wagner, 1981, WRR, 1980)¹⁸. The 1980 report of the Scientific Council for Government policy (WRR, 1980) was still very focused on the revitalization of Dutch industries¹⁹. The wish to keep clothing, shoe, and furniture industries in the Netherlands could be deemed a last breath in the failed policy of the 1970s that aided poorly performing industries and protected them against cheaper imports (Mennes, 1980). At the same time, the policy proposed was new as it provided for much less influence of industry interests and much more influence of independent professionals on economic policy. The report indicated the geographic location of the Netherlands and its hinterland connections as an asset for export of these industries, but did not see trade and distribution functions as an industry on its own yet. In fact, as a commentator stated, trade, transport, and transshipment, and the agricultural sector were completely forgotten by the report of the WRR, although these sectors were already indicated as important by two earlier government memorandums (nota Wetenschapsbeleid, 1975 and Innovatienota, 1979) (Beek, 1980).

It was only with the 1982 report of an advising committee to the government (Wagner, 1981) that trade and transport were deemed favorable economic sectors to develop as part of a more selective industrial policy to focus on the strongest sectors in the Netherlands. In the view of those who supported this advice, it was very logical to further develop the Dutch role in international distribution since the Netherlands had a clear competitive advantage in distribution, whereas capital goods industries were weak. The Netherlands had to make sure that it would stay ahead of other countries in international distribution. Many important businessmen were part of the advising committee to the government, as well as a representative from a large Dutch labor union. The advice was taken over by the Cabinet of Prime Minister Lubbers in 1982. From then

¹⁸ The WRR report of 1980 was a report on industrial policy and not on the economy in general. However, the idea put forward in this report fit well into the ideas that followed, namely that the strengths of the country should be supported and, like in earlier eras, exports should be stimulated.

¹⁹ In the report the following industries are mentioned: petrol, chemical, steel, clothing, shoe, and furniture industries, and the equipment sector of machine building, electronics, transport equipment, and instruments.

on, the development of the Netherlands as a country of trade and transport became an important policy goal. This was a major shift away from the post-WWII industrialization policy. The Netherlands was to become a country of transport and distribution of goods made elsewhere, a country of ports and infrastructure instead of a country of industry. For this goal large infrastructure investments were needed.

In the view of Terhorst and Van de Ven (1998) this '*Dutch infrastructure policy*' that became so important from the 1980s on, '*is actually an industrial policy through the back door*' (p.470). Besides the domestic objections that had been raised due to state support of declining industries, EU member states were no longer allowed to pursue national industrial policies through direct financial aid at that time. However, infrastructure investments by the state were still permitted and were now used to strengthen specific industrial sectors.

4.2.2 The mainport lobby: a strong coalition in favor of infrastructure and port development

The idea that the Netherlands should develop into a gateway or central hub in international trade and distribution flows was supported heavily by the port of Rotterdam, Schiphol Airport and the associations of transport and distribution firms. From the 1980s on they created a strong business lobby that supported investments in transportation and distribution. The strategy became known as the *mainport*²⁰ strategy. Following this strategy Schiphol Airport and the Port of Rotterdam were defined as the engines of the Dutch economy. Therefore, these ports and their hinterland connections should be further developed to ensure Dutch development into the most important logistics and distribution hub of Europe. From 1983 onwards, a whole flow of reports emerged endorsing the importance of the ports and logistics sector for the Dutch economy and the competitiveness of the *mainport* strategy. Although the *mainport* strategy was very focused on the development of the Netherlands as a node in international transport networks, it also showed close resemblance to the previous strategies of industrialization; it was focused again on price competition (keeping wages and taxes low was deemed as important as before). Furthermore, the strategy, as it provided for large infrastructure investments to improve the hinterland connections, also still strongly supported domestically produced exports.

²⁰ The English word 'main' in *mainport* refers to the importance of the second part of the word 'port'. The word does not exist in English but has become very popular in Dutch speech to denote the Port of Rotterdam and Schiphol airport, or the entire country as a transportation hub in international flows of goods.

Port of Rotterdam and Schiphol airport

In 1983 a report was published that would become very influential. It was produced under the authorities of the municipality of Rotterdam, a public authority for Rijnmond (the area of the Port of Rotterdam), and the association of transport and seaport companies, SVZ. Written by Poeth and Van Dongen (Poeth and Van Dongen, 1983) the report took a broad view on the possible role of the port of Rotterdam and many other ports in the Netherlands, which they called *mainports*. The *mainport* was understood as a node for one or more specific goods and also included a leading role in information flows and logistics knowledge for these goods (Van Duinen, 2004). The report by Poeth and Van Dongen of 1983 also proposed some institutional innovations to take the lead as a gateway. The port should use fast customs as a competitive advantage and create a free-trade zone (*vrijhavenzone*). These are especially vital for imports due to leave the country as re-exports. In spite of ideas mentioned on information flows and logistics knowledge, the part of the report that became influential was the idea of the port of Rotterdam as a distributive node in international flows of goods (Van Duinen, 2004). In 1985 the planning department of the government (RPD) introduced the idea that the Port of Rotterdam could become a *mainport* (Van Duinen, 2004p. 78), a unique port that attracts a large part of international distribution flows to and from Europe.

As early as 1980, the 'Beleidsvoornemen Masterplan Schiphol 2003' (Policy Intention Masterplan Schiphol 2003) included the following ambition: "*to stimulate the continuance of Schiphol airport as an international trans-shipment and distribution centre for passengers, cargo, express shipments, and mail*" (Bouwens and Dierikx, 1997, p. 380, translation mine). In 1985, Schiphol policy document 'Course 85' focused on the importance of growth in volume of passengers and freight, and transfer and transit passengers using the airport (Van Duinen, 2004). The ambition of Schiphol to become a major focal-point of Dutch economic policy was really developed in 1986. In that year Schiphol airport set up an 'independent' committee of advisers on the future of Schiphol until the year 2000. This board was headed by Van der Zwan, who had also been part of the 1982 Wagner committee and had worked on the WRR report of 1980. The Committee Van der Zwan presented Schiphol as an important economic engine for the Netherlands and used the metaphor of a gateway for Schiphol. Freight's importance for Schiphol was particularly stressed (Van der Zwan and Bletz, 1986). To develop Schiphol as a kind of "Rotterdam of the sky" and an engine of the Dutch economy, several recommendations were made. They can be summarized as a plea in favour of better road connections around Schiphol, improvement in service level inter alia through automation of customs procedures and freight handling with the Sagitta and Cargonaut systems²¹, setting aside

²¹ In 1986 collaboration between the customs authority and Schiphol made it possible to introduce an automated system for customs clearance (SAGITTA). From 1987 customs clearance became possible without any paper documents (Bouwens and Dierikx, 1997). In that same time also the airport communication system

space for possible future growth, attracting foreign firms, and ensuring competitive cost levels. Speed was of the essence since Schiphol was behind her competitors. The report also includes a plea for establishing a project development company to create more business-related zoning and attracting foreign firms. This resulted in 1987 in the creation of the Schiphol Area Development Company (SADC), in which the Province of Noord-Holland, the municipalities of Amsterdam and Haarlemmermeer, and the Schiphol Group participate. This reinforces how broadly *mainport* development was supported, by private and public parties, from national to local levels.

To the present day the idea of the Netherlands as a *mainport* is very alive in documents related to Schiphol and the Port of Rotterdam. Schiphol and the Dutch national airline KLM still aim to keep Schiphol one of the few European *mainports* for passengers and intercontinental cargo flows. For this, improvements to inland connections by motorway and high-speed rail are still stressed, as well as maintenance of a strong position with respect to landing rights. Schiphol also must remain an international passenger hub, to be supported by a region attractive to logistics operations, head offices, tourism, and business trips (KLM Air Traffic Control and Schiphol Group, 2006). A recent government advising committee concluded that from 2010 onward Schiphol should focus especially on flights strengthening the *mainport* role of the airport, to ensure it maintains its international node role (Alders, 2008). In other policy documents on the Port of Rotterdam and Schiphol airport (Ministerie van Economische Zaken et al., 2009, Commissie Ruimtelijke Ontwikkeling Luchthavens, 2009) the *mainport* is still very alive as a concept. But, as we will see in paragraph 7.4, the idea of what a *mainport* should be is changing in these and other reports.

Distribution and transport companies

As Van Duinen (2004) describes, until the mid 1980s most lobby groups for distribution and transport operated independently from each other: Schiphol, the Port of Rotterdam, and transporters all had their own organizations. But in 1985 these lobby groups combined forces around a common concern over what they saw as poor Dutch infrastructure leading to increased highway congestion. Their study of this situation showed how bad the coordination and promotion of Dutch logistics and distribution qualities were and how the Dutch gateway position could be strengthened with more marketing and promotion coordination, and better infrastructure and information

Cargonaut was developed by airport Schiphol. The system makes possible the exchange of information between for example cargo handlers and transportation companies enabling the latter to better plan the work (Interview ACN 08-03-2005). This has raised the pace of cargo handling and in this way decreased logistics friction at the airport. The creation of port communication systems in the ports of Amsterdam and Rotterdam has taken a bit more time. In 2000 PortNet was introduced and in 2002 Port Infolink was introduced in Rotterdam with the help of government and the official inspection services (interview CBRB). In 2009 the two systems have merged with the ambition to create one national port communication system and improve the competitiveness of the Dutch ports.

systems and services. In 1986 the pleas of this initiative resulted in a committee set up by the Ministry of Transport, Public Works, and Water Management: Commissie Nederland Distributieland (Netherlands Distribution Country Committee). The report of this committee 'Gateway Holland: shaping an initiative' (*Gateway Holland, vormgeven aan een initiatief*) became very influential (Van Duinen, 2004). The report stated that transport and distribution activities are very important for the Dutch economy. Furthermore it argued that Schiphol airport and the Port of Rotterdam were essential for this, but that competition from abroad could result in the loss of this strong position. Therefore action should be taken at a national level. The committee resulted in the creation of a new association in 1987 to support the role of the Netherlands in international distribution: Nederland Distributieland/Holland International Distribution Council (NDL/HIDC).

NDL/HIDC was not only a council of the Schiphol and Rotterdam lobbies. Government (Ministries of Economic Affairs and of Transportation), large banks, and other firms (NedLloyd, ECT en KLM) participated as well. NDL/HIDC became not only a lobby for the development of the Netherlands as a *mainport* for the government and Dutch public, but also an institution that gives advice and publicity to foreign companies with the aim of attracting their European logistics and distributive activities to the Netherlands (Van Duinen 2004; Websites NDL, HIDC). Following its website "*NDL/HIDC (Holland International Distribution Council), which represents the logistics sector in the Netherlands, helps international companies make a smooth entry into the European market through the region's leading gateway, the Netherlands*" (www.hidc.nl 01-10-2008). National business organizations such as FENEX (Dutch organization for expedition and logistics), TLN (Transport and Logistics Netherlands), ACN (Air Cargo Netherlands) and the NVLM (Association of Logistics Management) are now also part of NDL/HIDC.

Success of this strategy is not only confirmed by its own dominance, but also in the interviews conducted for this research. This is especially true in the interviews with logistics service providers. HIDC was frequently mentioned as an important source of new customers as it is able to attract European distribution centres of foreign companies. From 1987 onward NDL/HIDC, has been an important lobby group for the creation of the Netherlands as a distribution centre for Europe. It has done so by lobbying for good infrastructural connections with the rest of Europe, but also through a network of foreign offices abroad to help firms find their way in locating their European distribution centre or sales office in the Netherlands. Lastly, NDL/HIDC has published many reports showing the attractiveness of the Netherlands with respect to labour (skills and costs), taxes, and accessibility to the rest of Europe and the world (examples of these are: Van den Broek-Serlé et al., 2005, NDL/HIDC, 2004b, NDL/HIDC, 2004a, NDL/HIDC, 2005a, NDL/HIDC, 2005b, NDL/HIDC, 2006).

4.2.3 *The mainport as official policy: the development of infrastructure and efficient border procedures*

In the Fourth Memorandum on Spatial Planning of 1988, for the first time it became an official policy goal to (spatially) develop the Netherlands as a *mainport* (Van Duinen 2004). Although the informational and knowledge portions of Poeth and Van Dongens' *mainport* concept got lost in the reports and policies that followed, the *mainport* concept was not entirely changed. The ideas that a *mainport* has to look beyond the port itself, into international connections (Bos 1999) and that rail links to the hinterland are also important (Jongemans 1999) have all been embraced by the *mainport* lobby and subsequent policies. This idea of the Port of Rotterdam and Schiphol being the engines of the Dutch economy and key sources of competitiveness reemerged in policy documents for years to come and pushed continuous investment in infrastructure to support this vision. In 1995 a decision was made to enlarge Schiphol airport with a fifth runway (Ministerie van Verkeer en Waterstaat, 1995). This was necessary to enable Schiphol to remain a *mainport*. Also, in a 1995 memorandum on spatial economic policy, the importance of the *mainports* was mentioned, as well as the need for infrastructural investments. In particular, the need to link the Netherlands to European freight and high speed rail networks was key in strengthening the *mainport* strategy (Ministerie van Economische Zaken, 1995). This need for efficient connections of these *mainports* with the rest of the Netherlands and the world was restated in the 1999 Memorandum on Spatial Economic Policy (Nota Ruimtelijk economisch beleid) (Ministerie van Economische Zaken, 1999). Also in 2004, in another memorandum on *mainports* (Nota Pieken in de Delta) their role as engines of the Dutch economy get a lot of attention (Ministerie van Economische Zaken, 2004). In the Fifth Memorandum on Spatial Planning (Nota Ruimte) of 2005 the port of Rotterdam and Schiphol airport are still framed as the two most important economic factors of the Randstad (the most industrialized and highly populated part of the Netherlands). This report argues for further strengthening, including a view that no unnecessary limits should be placed on their development. Furthermore, roadway connections to these *mainports* should be developed even more (Ministerie van VROM et al., 2005).

Some time passed before the political idea of the *mainport* was translated into infrastructural developments, but the last decade has seen a lot of construction activities including large infrastructure projects supporting the role of the Netherlands as a distribution centre. The most important of these are the construction of a fifth runway for Schiphol (start of operation in 2003); the construction of the Betuweroute, a cargo railway to connect the Port of Rotterdam with the German hinterland (construction started in 1998, start of operation in 2007); the decision in 2004 to enlarge the Port of Rotterdam with the Second Maasvlakte, a large extension of new land in the sea

(construction started in 2008); and the connection of Schiphol to the European high speed train network (start of operation in 2009). All of these projects involve better integration with countries bordering the Netherlands and the expansion of trade and distribution activities this will bring. Again, in the case studies good hinterland connections have been particularly mentioned as important by logistics service providers and companies with a European distribution centre inside the country. However, trade-network operators in the forthcoming case on clothing also view the good connectivity of Schiphol as favourable to their industry, although for other reasons: it enables them to connect easily to customers, production areas and temporary fashion clusters.

Improvement of the efficiency of Dutch customs procedures has also been part of the *mainport* strategy. Although the European Union has made customs a supranational issue, there are still differences between customs in different countries since member states can organize their customs to their own liking, as long as they comply with European legislations. Important to mention here are the systems of VAT deferment at import, and the possibility of bonded warehousing. When goods from outside the EU enter, they normally need to obtain customs clearance and VAT must be paid. However, in a bonded warehouse these payments can be postponed until the moment the goods are sold and exported. This system of VAT deferment allows firms to defer tax payment on imports until a periodic tax return. This means that when a firm re-exports the goods it imported, no VAT has to be paid, giving cash-flow advantages. Every EU country can have these bonded warehouses, yet in practice the system of bonded warehousing is not as efficiently organized and widely present as it is in the Netherlands. VAT deferment is only possible in Belgium and the Netherlands. In the case studies the advantages of bonded warehouses and especially the 'article 23 ruling' under which the deferment of VAT is allowed, have frequently been reported as a reason why the Netherlands is an attractive location for a European distribution centre.

To conclude, this section has shown the strong support the development of the *mainport* has received from all levels of state and many different business groups. Furthermore, the focus that was placed on infrastructure and port development and efficient border procedures has clearly been in favor of the development of a distribution node in the Netherlands, this will also become clear in the case studies ahead.

4.3 From *mainport* to *brainport*

As described in the previous paragraphs, economic policy has been very focused on strengthening the role as distributor. The role as a node in trade networks or as marketplace did not get any attention in the *mainport* policy. However, since the early

part of this decade the 'coordination and control' role (*regiefunctie*) of the Netherlands has started to gain more attention. This attention for a role as centre of coordination and control can be explained as attention for something that comes close to being a node in international trade networks in which a country functions as an organizer of production and of trade flows, forming a connection between markets.

4.3.1 Concern about Dutch competitiveness: attention on the brainport

Concerns began to emerge at the end of the 1990s that the Netherlands was losing competitiveness with other countries. The role as centre of coordination and control is the result of these increased concerns. The innovative capacity and amenities for business investment were perceived to be weakening and policy makers started to question the *mainport* strategy. Although good hinterland connections remained on the top of the agenda, other location factors of the Netherlands started to get more attention. Networks and innovation were to become the new buzz words and the Dutch *mainports* were framed as economic nodes in international economic networks. This means that policy makers started to see the *mainports* no longer only as nodes in transportation flows, but also as nodes in information flows. In a 1999 memorandum by the Ministry of Economic Affairs, the Netherlands is presented as a centre of command and control in international economic networks. This does not mean that the *mainports*, with their focus on physical infrastructure, are now seen as unimportant but instead they are now also framed as the backbone and essential pivots for international command and control functions. The attraction of command and control functions of international banks and multinational companies has become much more central in economic policy. To attract these economic activities highly functional *mainports* are just one asset alongside a good labor market, knowledge, and enough room for future *mainport* development (Ministerie van Economische Zaken, 1999).

In later policy documents this centre of international command and control is termed a *brainport*. Following a 2004 report of an advising committee to the Ministry of Spatial and Environmental planning (VROM Raad, 2004) globalization creates more international traffic flows, increased specialization of production, and geographical concentration of economic and political power. Control and direction of economic activities takes place in a few centers called *brainports*. The Netherlands, as a trade metropolis, needs both the *mainport* and the *brainport* to be successful, but both are threatened by the process of globalization (VROM Raad, 2004).

A year earlier, the idea that the Netherlands is also a *brainport* and that the *brainport* and the *mainport* are interrelated was also presented by the scientific council for advice to the government (WRR). In their 2003 report (WRR, 2003) the role of the Netherlands as an intermediary in international trade flows that increases efficiency of

international transactions was described for the first time and related to the high levels of re-exports in the Netherlands. Den Butter, the author of the report, points to the importance of knowledge to be able to act as an intermediary in international value chains. Also in his view the Dutch role as *mainport* is very dependent on the existing *brainport* (WRR, 2003, Den Butter, 2007)²².

4.3.2 The brainport in trade and logistics: innovation and knowledge development to attract coordination and control functions

The Prime Minister's Cabinet also feels the need for greater attention to the *brainport* functions as a source of innovation in the Dutch economy. In 2003, the Innovation Platform (Innovatieplatform) was set up as a research and development program in which the state, the private sector and universities work together in different projects to improve the Dutch innovative capacity, knowledge economy, and competitive power. Within the Ministry of Transport, Public Works, and Water Management this resulted in the creation of the Consideration for Knowledge and Innovation (Beraad Kennis & Innovatie) in 2004. One year before, at the same department, a report had been published stating the importance of the logistics sector for the Dutch economy. The report argued that logistics innovation and policy were too fragmented between different organizations and government departments (Raad voor Verkeer en Waterstaat, 2003). Furthermore, it argued that shippers²³ were not involved enough in these innovations and policy, and that it was essential to assume the challenge to improve logistics quality and innovation in the Netherlands by developing a strategy to become a world leader in this sector (Raad voor Verkeer en Waterstaat, 2003). This challenge was taken up by three large associations of companies in the logistics sector: Netherlands Distribution Country (NDL), the Dutch Shippers Council (EVO), and Transport and Logistics Netherlands (TLN). Together they created a plan for a taskforce and methods for how the taskforce should tackle the problem. This resulted in the creation of the Van Laarhoven Committee.

²² The WRR report explains a competitive advantage in trade by the ability to lower transaction costs. The report does not make a distinction of trade roles to types of value chains or goods, or actual companies involved in the re-export of goods and how these distinctions might result in different ways to lower transaction costs. For example, in the case of a role as distribution centre, the efficiency of redistribution and speed at borders is of great importance. For the role as international marketplace this is also important, but efficiency is definitely also created by being able to attract a complete assortment in one spot; this is, as we will see in the case of flowers, largely the result of cooperation by producers in the sector. Furthermore, the report does not take into account historical developments and institutions that might influence current trade patterns. In the case of flowers, for example, the current pattern of trade is also explained by historical developments and the institutional structure of the marketplace, i.e. the cooperatives that give concentrated power to (Dutch) growers instead of wholesalers resulting in a slow adaptation to virtual trade. Given historical contingencies it is necessary to use more than transaction costs reasoning to explain trade.

²³ Shippers are the companies that create the demand for transportation and distribution. This can be industrial companies, retailers, or wholesalers.

The Van Laarhoven Committee has published three reports on strategies to improve the competitiveness of the logistics sector of the Netherlands (2006, 2007, 2008). The first report, published in February 2006, provided for the development of one lobby group of logistics companies to be able to speak with one voice regarding policy. This was to become the Logistics Alliance (*Logistieke Alliantie*), which was created in the summer of 2006. However, at the time of its foundation, EVO, the association of shippers, representing 30,000 companies in the Netherlands needing goods transport, left the alliance. From then on only transport-related companies are part of the alliance and EVO pulls out of the Van Laarhoven Committee as well. This is interesting since the last lobby in the *mainport* coalition mostly concerned about export of home production left the group. The only shippers now involved are shippers with global production networks and markets, as the Van Laarhoven Committee gets the support of Unilever, Mexx, Hero, IBM, and a couple of large logistics service providers (ECT, DHL, TNT), KPMG, and the Logistics Alliance (*Logistieke Alliantie*). Also the Ministry of Transport, Public Works, and Water Management supports the committee, as well as three technical universities in the Netherlands. The Van Laarhoven Committee again, just like NDL/HIDC earlier, is a broadly supported committee at many levels of governance, from public to private and national to local.

The Van Laarhoven reports cited threats to Dutch dominance in logistics coming from Belgium and Germany, who are said to have successfully imitated Dutch institutional and infrastructural strategies (efficient customs, good hinterland connections) to attract trade flows. To keep up with this competition the Netherlands should take a leap forward by developing a logistics *brainport* besides the *mainport*. This means the Netherlands should also try to attract the management and coordination and even control of flows of goods, not only their physical handling. This will ensure a stronger, more durable link to these flows (NDL/HIDC, 2004a, Commissie Van Laarhoven, 2008). In this view, knowledge development and innovation in the field of supply chain management and logistics are very important assets to attract trade logistics flows. This is an interesting argument since it seems to come close to the aforementioned ideas of Poeth and Van Dongen on being a centre of information flows, although these views had not become well-known. This idea also reemerges in a policy document for the Port of Rotterdam (Kabinet 2009), which states that a 'world class port' like that of Rotterdam cannot exist without a 'world class' knowledge infrastructure.

In short, more and more attention is paid to knowledge as a new competitive advantage to attract flows of goods and control functions in value chains. Up to the present day, the 'old' *mainport* lobby translates this *brainport* strategy into one attracting logistics chains through the development of logistics knowledge and innovation in the Netherlands. A very clear example of how to stimulate this knowledge development is the creation of a top institute and campus for supply chain management in Breda. This is

part of a program spearheaded by the Ministries of Economic Affairs and that of Transport, Public Works and Water Management, that was launched in 2009. It marks a shift from a focus on large infrastructural investments present in the 1980s and 90s, to a new focus on knowledge development and the creation of conditions to support economic prosperity. The new '*mainport = brainport*' lobby then, links up very well with the new discourse on innovations, knowledge, and networks. However, in this discourse ideas on what a trade role actually means really haven't changed. In the end, it is all related to the attraction of distribution functions.

4.4 A monopoly power of place in the field of trade and distribution?

The overview of Dutch economic policies shows that trade and distribution has been stimulated as part of industrialization and spatial policies that received strong support from business and all levels of government. Particularly in the last fifteen to twenty years, business and government lobby groups have been able to enhance public investments in infrastructure to enable a role as international gateway and distribution centre for Europe. In spite of the change in policy described above, since the 1980s an idea has persisted that a trade and distribution industry detached from specific products can be a competitive one. This seems to be true for certain value chains and trade roles: a value chain with a European distribution centre or a trade role that merely comes down to distribution. At the same time, this idea misses the many other types of value chains that exist. The forthcoming case studies will cover these other types, which often include much stronger coordination and even control functions of trade and distribution. These are the roles as marketplace and as nodes in international trade networks.

The cases will show that, to attach a marketplace or node in trade networks, much more specific product and market knowledge is needed. Of course, this is something that is developed more on the level of specific industries, such as the flower industry and the clothing industry. However, within the clothing industry the trade-network node does not seem to receive much attention. On the contrary, focus is given to the advantages of distributive and supply chain efficiency (see the reports of Huele and Huigen, 2008, NDL, 2009). I haven't found any reports placing the clothing sector within a context as an international node in clothing trade networks. For flowers this is different. The sector is very aware of the changing role of the Dutch marketplace and the distributive implications for the Netherlands. As we will see in Chapter 6, Dutch flower auctions take action to strengthen their position, among other means by attracting foreign producers to the auction and opening a direct sales office. To safeguard the role as marketplace or as a trade network node, case specific policies are needed. General economic and industrial policies are and have been mainly beneficial to the role as

distribution centre in Industrial and Market World chains. They have also possibly been beneficial in more dedicated Interpersonal World²⁴ chains.

Following Paul Krugman's strategic trade theory (Krugman, 1991, Krugman, 1995), large infrastructural investments may give rise to economies of scale and scope resulting in a lead difficult to surmount by a competitor. In the practice of competition between ports (Rotterdam, Antwerp, Bremen, Hamburg) it is clear that such an absolute advantage based on infrastructural investment and resulting scale economies that cut out all other competitors, does not exist for any of these European ports. Furthermore, bad infrastructures do not necessarily hinder competitive power. For example road congestion around Aalsmeer has been an issue for years, but has not created a true competitive disadvantage to Aalsmeer. This is not to say that infrastructure is unimportant to trade, but relations are not always that straightforward and other aspects may be more important in explaining the strength of a hub. In short: it is not very clear that a monopoly power of place in the field of trade and distribution can be created only through investments in infrastructure and business climate.

Recent reports from the Commissie Van Laarhoven (2006, , 2007, , 2008), however, suggest that the Netherlands can develop a competitive advantage in logistics and a role as distribution centre. The reports of the Commissie van Laarhoven, mainly deal with knowledge in the field of distribution and supply chain management. Friction within the supply chain and at borders are indeed an important determinant of logistics costs and can reduce trade flows (Nordås et al., 2006, Lee, 2008). Therefore efficiency in this portion of the chain may create a competitive advantage. The Van Laarhoven Committee advises the development of this kind of knowledge, to improve border procedures and increase logistics efficiency.

It appears to be difficult to give clear figures showing the current international position of the Netherlands in the field of distribution and supply chain knowledge²⁵.

²⁴ The recent development of the Netherlands as an important spare-parts center could be interpreted as such. Spare parts are specific, individual orders in combination with after sales services such as repair and installation. In that sense, the dedication needed to fulfill orders and the high level of service involved, would classify a spare parts distribution centre as part of sales in the Interpersonal World.

²⁵ The reports of the Van Laarhoven Committee (Commissie Van Laarhoven, 2006, Commissie Van Laarhoven, 2007, Commissie Van Laarhoven, 2008) give indications that the Netherlands has an especially strong position in distributive logistics and is leading in supply chain management innovations. However, careful reading of these reports make clear that most figures are based on expert valuations; Dutch people are often head of international supply chain consultancy firms, these firms often have their knowledge center in the Netherlands, and the Netherlands has a lot of logistics education programs. However, quantitative data to support these valuations is not given. It is very hard to gather internationally comparative data on logistics knowledge and strength. The work of Wu (2007) clearly shows this. It appears to be impossible for even him to map the supply of logistics education in different countries, let alone to compare their curricula. Language is already a problem here. Following Wu, the list of the Council of Supply Chain Management Professions is *'the most comprehensive single source [...] to identify colleges and universities that offer logistics-related courses'*. But in the Netherlands this list counts only three educational programs, probably the three university programs at masters level. However, the Netherlands has at least 14 educational institutes that offer logistics education at bachelors' level (www.studiekeuze123.nl, accessed 14-11-2008). So, it is impossible to compare

Yet, there are some indications that the Dutch knowledge of supply chain management is at least not regressive in an international comparison and that the Netherlands has a comparatively good starting position to develop its supply chain management knowledge further. Dutch experts are frequently asked for advice by multinationals abroad (interview Van Nunen, 18-11-2008). The 2007 IBM Faculty Award went to a Dutch university department. Other departments that got the award since 2006 were mainly from the US, Canada, the UK, Germany and Israel. Also two times (in 1999 and 2001) Dutch doctoral dissertations were awarded by the Council of Supply Chain Management Professionals. This award has existed since 1973 and has only been awarded to a dissertation from outside the US about five times. The conclusion seems to be justifiable that the Netherlands is certainly not undeveloped in supply chain and logistics knowledge, but at the same time the question might be asked whether or not the presence of this kind of knowledge can attract supply chain management and physical flows of goods to the Netherlands. This is a relationship without a linear trajectory. For example, many Dutch supply chain professionals are working abroad (Commissie Van Laarhoven, 2008). This indicates that this kind of knowledge is, to a certain extent, footloose. Also, in the case study on high-tech products we will see that knowledge of and research and development in logistics and distribution are often geographically detached from the location where actual distribution of goods takes place.

Good knowledge on the issue of border procedures and handling of information flows can then also result in the Port of Rotterdam coordinating and controlling handling of information and border procedures of flows of goods that physically enter Europe through other ports because of cost, environmental, or other considerations (Hagdorn-van der Meijden, 2007). This would be very much in line with developments in financial and legal services that have become separated economic activities that do not necessarily follow the (head)offices of multinationals they serve (Engelen and Smit, 2006) and show, when they are transparent in kind, increasing concentration in a few large financial centers because of efficiency reasons (economies of scale) and the need for sophisticated and expensive ICT infrastructures (Engelen, 2007). This concentration of services might also happen to services related to border procedures and the handling of information flows that go with the distribution and trade of goods. Border procedures in Europe become increasingly uniform and developments in ICT make it possible to handle customs procedures and flows of goods and information over long distances. The Port of Rotterdam could become one of the larger centers for these services related to import of goods into the European Custom Union, without necessarily physically handling all of these goods.

Dutch education in logistics internationally, and we can only say that the Netherlands seems to have quite a few logistics education programs.

However, we should not only focus on knowledge development in relation to logistics in general. Service providers need also to have knowledge of the goods they handle and legal requirements that go with specific products, the supply chain involved, and persistent local customs formalities (interview Van Nunen). Efficient border procedures and logistics probably cannot exist without knowledge on the issue, *inter alia* created through the daily handling of goods. The importance of specific knowledge of products and related value chains comes also to the fore in a couple of recent reports in which attention is given to the logistics of specific product chains such as clothing, flowers, and electronics (Huele and Huigen, 2008, NDL, 2009, Van Rijswijk et al., 2008, Zomer et al., 2008). But when this knowledge of logistics and specific supply chains is able to attract any kind of trade flows, it will most likely be flows related to a role as distribution centre and will be less likely to be effective for developing trade network nodes or marketplaces.

Adaptive capabilities are also important factors to consider as part of competitiveness. In the past the Netherlands has been able to adapt institutionally and technically to new logistics demands. Automation of customs processes that improved efficiency and decreased labour costs and the 1990²⁶ introduction of taxation on ship tonnage, instead of on actual shipped freight are all examples of innovations and adaptations that took place in the logistics sector. Also the port communication- and information system Port Infolink is an example of innovation. This system has been developed by the port of Rotterdam, but is so successful now that it has been exported to ports abroad (interview CBRB). This shows that the Netherlands is able to take a lead in the development of logistics systems in ports. But also the recent Commissie van Laarhoven can serve as an example. It clearly shows there is cooperative strength in the sector to take action to adapt when changes in the market and competitive environments make it necessary. If this is true, the *mainport* policy, although prone to imitation, an partly clearly focussed on capturing mobile capital and, in that sense, a weak competitive strategy in a zero-sum game – including tax regulation and a flexible labour market – is partly also a strong competitive strategy. But again: this strength is only related to the competitive position as distribution centre for specific goods, not as marketplace or trade network node.

The attractiveness of the Netherlands for international firms and especially international distribution is the result of a combination of assets that have been developed in a context of a liberal stance on trade issues, a strong international orientation of Dutch firms, and an economic crisis in the 1970s and 1980s that demanded a new recipe for economic prosperity. Although individual measures such as tax regime or infrastructural investments can be imitated elsewhere, the Netherlands seems to be at

²⁶ This made it possible for ship-owners to calculate taxation for ten years in advance and gives much more certainty in the business planning than taxation on shipped freight (interview Voorlichtingsbureau Short Sea).

the forefront in keeping its position with continuing institutional adaptations and innovations in the logistics sector. In this local, national, public, and private parties seem to find each other when necessary and enable new technological and juridical possibilities that strengthen the position of the Netherlands as a whole. Recently the *mainport* strategy particularly has been directed towards innovation and adjustment to new circumstances. The Commissie Van Laarhoven, Dutch customs practices, and infrastructure investments are all examples of innovation and adaptation and the result of an institutional structure enabling cooperation and innovation. But, as is the case with innovation, competitors can adopt them as best practices. This seems to have happened with the *mainport* policy of the 1980s and 90s. The question now is whether or not merely the best practice of actual innovations in ports and infrastructure has been imitated, or has the institutional structure enabling these developments also been imitated. If the latter is the case, competitors can become as innovative as the Dutch *mainport* coalition. That would be a true challenge to the Dutch role as distribution centre. In any other case, it seems possible to speak of some kind of (though still vulnerable) national monopoly power as international distribution center. However, this national policy and monopoly power seem not to be related to the other two types of trade nodes: the marketplace and the trade-network node. In these last types of trade nodes, assets are much more case-specific, meaning specific to type of goods and their corresponding value chains. We will explore this ahead. The case studies in the next three chapters will explain how trade in the three different trade nodes and in different worlds of production is attracted to the Netherlands. It will also elucidate other possibilities than ones presented here, on ways to develop and strengthen the Dutch trade node.