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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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Conclusion

Variety of trade activities and embedding of trade: mixed competitiveness of the Dutch trade hub

This research has tried to show how varied the embedding of international trade is in the Netherlands, and therefore how difficult it is to speak of *the* Dutch trade hub, let alone strengthen the role of the Netherlands in international trade with only one generic type of policy. At least three types of trade nodes should be distinguished: a distribution node, a marketplace node, and a trade-network node. However, in discussions on trade hubs such a distinction is generally absent, making it hard to truly understand what is going on economically. Dutch policy has particularly been focused on the development of the distribution node and the stimulation of distribution activities. But, as an answer to the first research question, the cases have shown that many other trade activities also generate re-exports. The cases show that enabling flexibility in value chains of the Market World is a very important role of traders and service providers in the Dutch trade hub. In each type of node, different ways are found to increase this flexibility: through logistics services in the distribution hub, through the use of effective coordination of overseas production networks in the trade-network node, and through the offering of a broad and deep assortment in the marketplace node. Also of relevance are the debate on coordination and control functions, and the distinction between different types of trade nodes, worlds of production and value chains. Having the trade – as expressed in re-exports – definitely does not imply any coordination or control of the flows in the chain, especially not in the case of a distribution node. Furthermore, the embedding taking place is not the same for every kind of trade service, value chain organization, and type of product. Policies to develop the trade node, therefore, seem to need being quite case-specific and sensitive to the possible different types of trade nodes, if they want to become really effective in embedding international trade. This chapter will discuss these issues and answer the questions this research began with. Furthermore, I will reflect on the theoretical framework used, and the research carried out. I will finish with questions open for debate and research.

8.1 The role of the Netherlands in international trade and the coordination and control of value chains

The cases have shown that the international trade role of the Netherlands only involves coordination and control functions to a small extent. In the first type of trade hub, the European distribution centre, control of the value chain and also coordination of the distribution activities is generally in the hands of (foreign) lead firms and offices outside of the Netherlands. If logistics complexity increases due to increasing variability in demand and geographical disintegration of the value chain, knowledge for the management and coordination of logistics in this chain becomes more important. The availability of this knowledge and related facilities within the distribution hub might then develop into a territorialized asset bringing coordination and control functions of logistics and distribution to the Netherlands. However, contrary to our expectations, until now the logistics control activities of highly internationally-organized logistics service providers and lead firms, even in Market-World chains do not seem to be strongly attached to the Netherlands through knowledge of logistics. This might be explained by the fact that international operating lead firms consider the knowledge on distribution as strategic and therefore prefer to keep it in-company.

In the case of the Netherlands as an international marketplace for cut flowers, the value chains that use the market are much less integrated. Control of the chain is not clearly in the hands of one party. The market is the link between independently operating supply and demand sides. But the market itself, its rules of the game and organization, are controlled in the Netherlands. This market and its rules of the game are, however, also subject to external forces such as changes in value chain organization, and new players and geographical areas entering the market. The market has to adapt to these changes. How the market does, is in the hands of the actors creating the market. In the case of flower trade, these are Dutch producers or an independent private party like Tele Flower Auction. The cooperative auctions have opened up their markets to foreign producers and have started a direct sales department, resulting from changes in production and demand, especially from large retailers operating as lead firms in the consumer-driven value chain. At the same time, whether or not lead firms like it, Dutch auctions as a marketplace embody an important force in the chain, controlling a uniquely broad assortment of flowers. So, although control of demand might be located somewhere else, control of supply is still anchored in the Netherlands. Therefore, control over demand does not imply control over supply when they are connected through a marketplace.

In contrast, traders in the trade-network node coordinate parts of the chain. At the same time, the case of clothing shows that these traders do not necessarily also control the chain. For clothing, control is mainly outside of the Dutch trade network

node, as (foreign) lead firms decide when and how something should be done. Since the focus is on coordination, in theory this network node can function very well without actual flows of goods (imports and re-exports) passing through the Netherlands. The paradox is that having coordinative power in a chain does not have to imply that goods physically pass through the area where coordination takes place. Goods can easily take a different route. The competitive power or asset developed by a trader in a trade-network node lays not so much in the handling of physical flows, but in the handling of flows of information.

In all three types of trade hubs coordinative power can exist without physical flows. In the case of the Dutch distribution node, we see a recent development, supported by the Van Laarhoven Committee, to develop logistics knowledge and coordinative power. Ultimately this can imply that flows that pass through other hubs, will be coordinated by Dutch firms. In the case of the marketplace node of flowers, physical trade can change into virtual trade backed by a network of quality control centres at production sites. Physical trade flows can become much more direct, although financial flows still pass through a virtual central marketplace in the Netherlands. Lastly, in the case of the trade-network node, private-label suppliers can start directly sending products from foreign producers to foreign customers. Coordination and control functions therefore are not necessarily attached to physical flows nor are they attracted by them. The development and embedding of flows and of coordination and control functions therefore should be approached differently by policy makers and researchers.

8.2 The embedding of trade activities in the Netherlands

The embedding of trade in the Netherlands very much depends on the type of trade node involved, type of trade activity, and the value chain at stake. The mechanisms of localization, as described in geographic theory, and the mechanisms of embedding through value chain organization are important. When there is no clear localization advantage, or these are territorialized in limited ways by being present in many other locations as well, trade is only embedded in a limited way to the Netherlands. This way it is possibly much easier to forecast trade with general trade- and gravitation models. When localization economies play a role, as is especially the case in the marketplace node, much more case-specific knowledge is needed to understand the location of trade. Even the addition of logistics friction to gravitation and trade models (as Lee, 2008 has reported as important to incorporate in these models) will probably not enable these models to ideally describe trade patterns. But as an addition to these models, the research also enable us to see that gravitation models should probably be adopted to specific types of trade nodes and goods to become better able to describe actual trade

patterns. For example, cultural knowledge, should probably play a less smaller role in a model that describes distribution hubs than in a model describing a trade network node. Since the most important variables attaching trade are different in each type of hub, the strength and type of embedding of trade varies.

8.2.1 Weak embedding of the distribution hub

The first role of the Netherlands, distribution, shows, as expected, only a relatively weak embedding, to a large extent based on imitable factors. The central location of the Netherlands is important, as well as a good supply of labour, attractive fiscal conditions, and fast, efficient customs. In the case studies of the clothing and high-tech products, logistics knowledge did not emerge as very important criteria for European distribution centres since the knowledge of logistics design appeared to be mostly company based as opposed to bounded to a specific geographical location. The focus on costs makes the embedding of logistics activities in the Netherlands always in danger. Relocation is almost permanently considered. A case in point are semi-production services like market customization of products, which have moved from Dutch European distribution centres to China or other Asian countries to lower costs.

That being said, distribution centres still may be more strongly attached to a place. At this point then, world of production becomes an important aspect to take into account. Flexibility and speed are increasingly important as more and more (Industrial World) products become marketed, entering the Market World. Goods also become more and more dedicated at the level of the individual (Prahalad, 2009), in a way becoming part of the Interpersonal World. Therefore, flexibility and dedication also become more important in trade and logistics. To be able to deliver the flexibility demanded, it is important for logistics service providers and traders to act and react flexibly to changes. Flexible, efficient and fast logistics is not only a matter of low costs and good infrastructure in ports, rails, roads, waterways, and airports. It is also a matter of conventions that enable customs to quickly adapt to new products and circumstances and of logistics service providers who are able to flexibly and innovatively adapt to new situations. As shown in Chapter 7, there are some indications that the Netherlands does possess these qualities. The development of these qualities depends on many more territorialized processes, such as the development of local customs conventions, joint action of public and private parties at different levels, and different industries engaging in logistics innovations and knowledge dissemination.

Embedding through logistic innovations and organizational conventions, however, cannot be developed or stimulated by general policies alone. It is at the level of specific industries that innovations have to be created. What is needed for dedication and flexibility in flower distribution is different to that in the distribution of clothing and

high-tech products. Therefore, connections have to be made between the logistics sector and respective industries that are in demand for logistics services. Not only because of differences in product characteristics, but apparently also because of industry-specific conventions. This has become clear through the comparison of the distribution hub of clothing to that of high-tech consumer products. It appeared that outsourcing of distribution in the distribution node of clothing is very differently governed than in the case of high-tech products. Relational governance of transactions appeared to be important in the case of clothing. This may have to do with the fact that the clothing chain is generally more disintegrated than the high-tech chain but also the culture or way of doing things in an industry as a whole seems to play a role here. Embedding of trade-distributive activities then, seems to depend also on industry specific conventions and can possibly be stimulated when close collaboration between specific industries and the sector of logistic services leads to favourable institutional and infrastructural conditions for distribution activities to take place. However, this research indicates that we also should be cautious with expecting too much of this relationship: it seems that logistic knowledge does not necessarily attract physical logistic flows.

8.2.2 Strong geographical embedding of the marketplace

In the second role of the Netherlands, the marketplace, embedding can be very strong since both logistics efficiency and knowledge on products and markets attach trade in the Netherlands and, as expected, the marketplace node clearly functions as a cluster of input-output relations and knowledge exchange. In the case of floral trade described in this research, due to large domestic production sold through the international marketplace, buying and selling through this market also means efficient distribution for foreign producers and traders. This type of chain seems quite uncommon. It is comparable to the chain of high quality fresh food that has a European node in Rungis near Paris. These unique places have developed over time and as long as they are able to adapt to changes in production and consumption markets, and can attract broad and deep assortments, they are very difficult to imitate or relocate. The unique cooperatives of producers in the Netherlands are a very important base for the broad and deep assortment of the Dutch marketplace. However, increasing integration in chains, often reported for fresh food (Phyne and Mansilla, 2003, Dolan and Humphrey, 2000, Barrett, 2004, Barrett et al., 1999) and growing importance in the trade of flowers, can undermine the position of trade centres like these. It can become more difficult for the auction to attract a broad and deep assortment as (foreign) growers prefer delivering directly instead of through the auction. The paradox however, is that these integrated chains, at least as far as the flower trade is concerned, undermine the node and, at the same time, are dependent on it; the marketplace diminishes the risks retailers have when they make

direct contracts with producers. The auction (marketplace) is a buffer in direct-to-producer-and-retailer contracts to get rid of excessive volume ordered in these contracts or to supply extra demands. Surpluses can be sold here and larger than expected demands purchased, allowing for a more flexible supply for consumers during occurrences like shortages.

8.2.3 The unimportance of the node in the trade network

In the third role, that of trade-network node, embedding in the Netherlands is, as expected, not as strong as in the marketplace node. To the extent that there is embedding of trade in the Netherlands, it is based on the professional networks of individuals who develop the network by participating in it and who pass on this network knowledge to future generations within the companies they work for. Embedding in this role is mainly based on the immobility of labour. This is not to say that this makes this knowledge detached from the Netherlands. It is very possible that this knowledge is embedded in a country. Education, trade missions, overseas trade offices of government, industry associations, or banks can replicate and create this type of knowledge within the trade-network of a specific country, but in the case of clothing trade, these aspects appeared only of minor importance.

Integration in the value chain makes the position of these networkers as employees of independent trading companies insecure. Although the superior networks and knowledge on how to operate within these networks of, company-integrated or independent, traders will most likely remain important for many international value chains, this role can be undermined as it becomes easier to operate in different communities of practice. Increased globalization lowers barriers to trade and makes it easier to operate abroad. In the case of trade intermediation in the international value chain of clothing, we have seen that more and more Chinese, especially in coastal areas, are able to speak English, undermining the role of the Western European trade intermediary. Increased proficiency in English facilitates the organization of outsourcing in China without a European trader or middleman. So threats for this role are present in (1) internal integration of the role by a foreign lead firm, and (2) in the disappearance of portions of trade roles resulting from globalization and declining barriers to trade. Still, the role of the intermediary does not seem to be outmoded all together, as the ease to do business internationally grows. For example, when design and branding of products in the Market World become increasingly specialized jobs, the need for an intermediary able to translate the demand generated by designers and brand creators to production may grow. This means there is a need for someone who is able to understand both communities of practice. As connections by air are important to stay connected to these different communities of practice, airport connectivity might be very important. And,

perhaps contrary to intuition when speaking about a node in trade of goods, in this case connections by air for passenger traffic seem to be more important than those for air cargo flows.

8.2.4 Developing and embedding coordination and control functions: a giant trader with feet of clay?

As early as the Dutch Golden Age (seventeenth Century), the Netherlands had an important role as a coordinator of flows of goods, no matter if they physically passed through the Netherlands or not (Jonker and Sluyterman, 2000). Many services were added to these flows such as insurance, financing, and transportation. These services were especially important when Dutch industry related to trade was in decline, and supply and demand increasingly attempted to trade directly without the intermediation of Dutch wholesalers. When Dutch dominance over the physical flows of goods was lost during the eighteenth Century, the Dutch Republic adopted and ensured economic vitality through a growth in trade services (Jonker and Sluyterman, 2000). However, over time these trade services were also lost. According to some commentators, this happened because these trade services lacked industrial processing or actual flows of goods related to it through the Netherlands, and made the country a “*giant with feet of clay*” (Jonker and Sluyterman, 2000). But contrary to this, one could also state that the development of these services enabled the Netherlands to remain a trading nation much longer than would have been possible otherwise; trade would have been lost much earlier (Jonker and Sluyterman, 2000). This development in the Netherlands and its related discussions, show the unstable equilibrium existing between a specialization in trade, distribution, logistics, and production. Although these different activities have become largely uncoupled, they also seem to need some relationship to each other to make them competitive, and to geographically embed them.

In many cases trade roles cannot exist without physical flows and/or production clusters. If we focus too intently on logistics knowledge, we may lose the actual distribution, making it difficult to develop product specific logistics solutions and innovations as actual distribution activities are no longer available for us to analyze and study. At the same time, for the role as marketplace, it is clear that production and producers are also crucial. In the long run it is probably impossible to keep a marketplace of flowers without producers closely related to it. Finally, in the case of clothing, we have seen that it is difficult to keep trade flows and coordination of production passing through the Netherlands as production is lost and foreign producers become more accessible. We may now shift to fashion logistics as a competitive advantage and lose the coordination of parts of the chain.

A very delicate balance exists between the different trade roles described in this research. If we have flows because of excellent logistics facilities, we may not have the coordination of these flows. If we have this coordination, because of strong trade-networks, we may lose physical flows, as we are able to organize direct flows of goods to foreign customers. The relationship between coordination of flows and the route taken by physical flows is often hard to see, and it is questionable if this coordination necessarily means we obtain these physical flows. Still it is clear that coordination of flows without physical flows geographically related to them, is in a sense a weak position and could result in a trade giant, with feet of clay, as the organization of the value chain changes or technical developments enable new players to obtain competitive power. Nevertheless, this is just how the economy evolves. Therefore a loss of physical distribution or re-export should not be seen as a sign of competitive weakness per se, it could also reflect a shift in competitive strength and be a sign of great adaptive capabilities.

8.3 Reflections on the research

Based on the theory, this research started with the supposition that the embeddedness of trade activities to a place depends on three aspects: (1) the role of trade depending on the world of production of the goods involved; (2) the assets needed for the activity which depends on the role of trade and also on the type of trade node; (3) the territoriality of these assets; and (4) the organization of the value chain and the way in which the trade activity in the chain is governed. These aspects have been helpful to research and explain the cases. In the case of clothing, being aware of these aspects can show us why a European distribution centre is embedded in the Netherlands so differently than a private label company, although they both operate in the same world of production. The fact that the organization of the value chain was included, helped us understand why a European distribution centre completely outsourced to a logistics service provider in non-dedicated logistics facilities, is replaced much easier than a European distribution centre hierarchically integrated into a firm through foreign direct investment. The idea of territoriality gives us room to also analyze historic, path-dependent developments that have created certain relations in the value chain. Particularly in the case of clothing, it was striking to see how strongly people tend to stick to their partners, not only in the case of private labels sticking to their producers, but also to their logistics service providers. This was a very different situation than the one presented in the case of high-tech products, where fulfillment contracts are created on a yearly basis. The possibility to codify transactions plays an important role here.

8.3.1 Worlds of production: different roles of trade in different worlds

The worlds of production that have been used in the research have clarified the role trade and distribution activities play in a value chain, including which needs they serve. Yet, contrary to what was expected at the beginning of the research, the organization of trade within one world of production is very diverse and this same world can utilize different types of trade nodes and activities. The Industrial World is often hierarchically governed, with trade internalized in the lead firm, and distribution organized through a location geographically separated from trade. But the Industrial World also uses the marketplace node or the trade-network node. At the same time, a specific type of trade node can serve different worlds of production, using a different set of node-specific assets in each world. For example, the auction must serve the Industrial World by having a large amount of flowers, but not a very broad assortment. In the Market World however, broadness of assortment is a critical asset of the auction since it enables dedication. Whereas the main asset of a trade-network in the Interpersonal World is that it enables dedication of production to demand, in the Market World the main trade-network asset is that it enables flexibility and shortens reaction times to new demands. Table 8.1 gives an overview of this. Based on the case studies it's clear that the role of the distribution hub in every world of production is more or less the same: distribution hub costs can be cut as economies of scale in distribution are created.

Table 8.1: The role of different trade nodes in different worlds of production

Type of trade hub	Industrial World	Market World	Interpersonal World	World of Innovations
Distribution hub	Economies of scale in distribution and warehousing	Economies of scale in distribution Time saving	Economies of scale in distribution	The distribution hub does not play a role
Marketplace	Flexibility in quantity & distribution efficiency	Flexibility in quality and assortment & distribution efficiency	Dedication through the availability of assortment	Knowledge centre, comparison
Trade-network node	Lowering risks and hassles	Flexibility in assortment and time saving	Dedication through close collaboration with supply	Network for business opportunities, access to products and markets

A hub in distribution can also be the result of very efficient infrastructures and procedures that attract flows of goods because they facilitate greater speed in the value chain. This seems to be especially important in the Market World although speed might also be important in other worlds, as we will see ahead. Only in the World of Innovations the distribution hub does not seem to play a role, as it is not through physical concentration of flows, but rather knowledge and innovation that new technologies get distributed.

The marketplace hub has a slightly different use in different worlds of production. In the Industrial World, the marketplace hub mainly seems to be a tool for increasing the flexibility in quantity to traders and retailers. In the flower trade, wholesalers used the auction to sell a surplus of common industrial types of flowers bought through direct sales contracts. They also used it to supplement the supply of such flowers when direct sales contracts did not provide sufficient stock. Furthermore, the marketplace created important efficiencies in distribution. The same marketplace has a different role in the Market World. Here flexibility in quality and assortment is more important. Again, in the example of flower trade, traders in this world use the auction to purchase a varied assortment of flowers enabling them to serve customers in different geographical markets with diverse demands. In the Interpersonal World of flowers we have seen it is less for flexibility and more for availability of assortment, that the marketplace is used. The marketplace enables traders in the Interpersonal World to find the dedicated and specific selection of flowers they need. Dedication is made possible by the broad variety of goods available at the marketplace node. In the World of Innovations the marketplace is not used as the trading place per se, but serves as a place where traders can gain knowledge of the newest trends and product developments. In reverse, product developers can get a good idea of market wishes at the central marketplace. The marketplace node enables easy comparison of new and different products, and enables one to see new trends in these developments. We have seen this role for the marketplace in the World of Innovation of flowers, but also for clothing, where (temporary) clusters of fashion cities play an important role in disseminating new fashion trends and innovations.

The complexity of the marketplace node and the many worlds of production it can serve, probably make this trade node so strong. It is a kind of node able to adapt to many changes in the value chain and can serve both an increased demand for dedication and for efficiency and speed. This role then, is truly a jack-of-all-trades. However, it is not one easily created from scratch. In the case of flowers it is related to existing production capacities of the Netherlands and institutional structures that create the ability to control the marketplace: the cooperative auctions. However, the Teleflora Auction shows that other types of sales organization can create a better functioning marketplace. In more general terms, what seems to be required for the functioning of a

marketplace node, is an ability to attract a broad and deep assortment. This will often be the result of path-dependent processes and institutional structures that are very specific to a place. Changes in these institutional structures can influence the ability to attract a broad and deep assortment, weakening the position of the marketplace.

Lastly, let's review the trade-network node. In fact, it is not so much the trade-network *node* as the trade *network* that is used in different worlds of production. In the Industrial World the trade network seems to be primarily used to lower risks and hassle. Through the trade network, risk and hassle that comes with buying/selling, entering new markets, or finding cheaper producers can be lowered. For example, some clothing wholesalers fulfil demand for very basic promotional ware through their trade network. Producers of such ware and market demand are unable to find each other without a trader, due to unfamiliarity with each other's markets. Also, retailers demanding large quantities of industrial-type flowers use the trade network node of wholesalers, as they seek to avoid the hassle of contracting out unknown producers. This is also a role of the trade network in the Market World, where time pressure issues and changing tastes can be addressed through the trade network. Cases in point here are private-label suppliers accustomed to supplementing collections of retailers in the Market World. In the Interpersonal World the trade network is used to enable more dedication in supply. For example, the trader can fulfil very dedicated demands of corporate clothing through the trade network. The trade-network enables dedication through close collaboration with supply. This is different from the marketplace node, where dedication is achieved through the availability of a very broad assortment, allowing the possibility for a trader to combine a broad assortment in a dedicated way. In the World of Innovations the trade-network functions as a way to locate new business opportunities and access new markets. We have seen this use in the floral trade, where ennoblers use close contacts with growers and traders to create an exclusive market for a new variety.

8.3.2 *The time dimension*

Although the worlds of production model helps us understand the role of trade, when this model is used to analyze trade, it seems to be incomplete with respect to an essential market determinant: time. This determinant influences the need for speed in the value chain.

When we think about time as a product characteristic, shelf life becomes an issue. Products of the Industrial World can be quite perishable (e.g. flowers) and therefore, have short shelf lives, making them poorly suited for storage and in need of efficient logistics and trade. This implies that much less circulating capital (inventory) is possible with these products. Goods are sold or they are lost when there is no demand. This gives the floral market, no matter the World it serves, supply characteristics of the

Market World, without the demand characteristics of that same World. Where increases in speed and flexibility (smaller production runs) are important ways to solve the problem of variable demand in the Market World, this is not the case in the Industrial World. Here conservation techniques making products less perishable are much more important for diminishing losses. Of course conservation techniques can also be important for products of the Market World, such as flowers. This is because in this case flowers are more perishable than demand trends. Conservation then becomes a solution. When demand trends are shorter than the shelf life of products, shorter production runs and increasing speed in the chain are ways to gain higher returns. To conclude, there is a need for some addition to worlds of production in order to understand the role of trade. That is the shelf life of products.

Time as a market characteristic has to do with the impatience of markets due to instances where a product must meet seasonal or other time-dependent demands, like those related to trends and fashions⁴⁵. Of course, the worlds-of-production model includes the idea of demand uncertainty versus predictability, which is related to trends and fashions. But the relation with time including the need for speed in the value chain is not as straightforward as one might think. A product with highly unpredictable demand might not have any time pressure in the chain. It does not have to be a fashionable product with an impatient market. Dedication of demand also does not cover the time dimension very well, since a very dedicated product often does not carry heavy time-pressures in delivery. Specialized high-tech microscopes that are custom-made can easily be sent by container ship to Europe, as the buyer has planned the purchase of microscopes months in advance. On the contrary, high-tech gadgets that are also dedicated to a specific market and are far less expensive might need transportation by air in order to take advantage of a sales peak in that specific market. Time in the form of shelf life as a product characteristic, and the degree of impatience as market characteristic, need to be added to the worlds of production model to more fully understand the role of trade in each world.

8.3.3 A model to understand the geographical embedding of trade activities

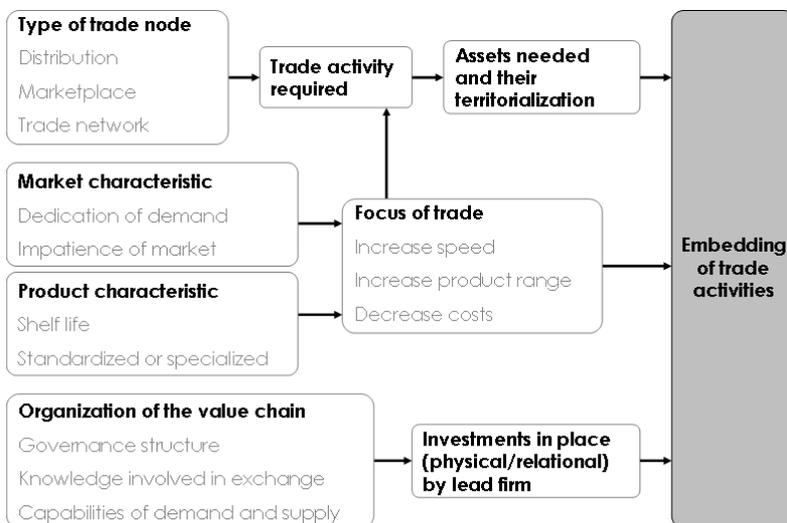
To conclude, to understand the geographical embedding of trade activities the following ingredients are needed (see also Figure 8.1). The first thing to consider is the process of territorialization of assets. The assets of relevance depend on the trade activity involved. It is important to see that product and market characteristics influence the role of trade

⁴⁵ Variability in demand is often the result of innovations and technological improvements, as is the case with high-tech products. Although this is a product-led variability in demand, I include these kind of 'trends' here in market characteristics since they fuel demand characteristics and do not characterize the product itself. The demand for the product changes not because the product does not work anymore (it is not perishable), but because new technologies or fashions usurp the product's market position.

in the chain. Therefore they influence the type of trade activity required and the assets needed for this activity. Furthermore, the type of trade activity found differs from the way in which trade is organized: through a distribution node and an internalized trade department within a multinational company, through a marketplace node, or through a trade-network. The second force to consider is the process of embedding through value chain organization and investments made by lead firms in a specific place. These can be immobile investments in infrastructure, buildings, or equipment. They can also be investments in the training of people. When people receive training and become part of a community of practice through experience, the immobility of labor makes this investment to a large extent immobile, and attaches lead firms to a place. The more specific conventions are, the more prone a lead firm will be to maintain existing service providers once chosen. Of course these investments to be made in an exchange relationship depend on the capabilities of demand and supply and the knowledge and information needed for the relation to take place.

The embedding of trade then follows from the territorialization of assets needed for specific trade activities and the place-bound investments made by a lead firm through the organization of the value chain. The geographical embedding of trade can be stronger through processes of territorialization, more temporary through lead firm investments in a place, or not present at all since assets are ubiquitous. This brings us to the following model to understand the embedding of trade activities (Figure 8.1).

Figure 8.1: A model to understand the geographical embedding of trade activities



The mechanisms of territorialization and lead firm investments operate within a context of changing production and consumption areas, tastes, technologies, cultures, and institutional structures like trade agreements. Figure 8.1 therefore, does not show a stable relationship. Although the aspects that influence place embedding of trade activities will stay the same, cases will show changes of context, value chain organization, and product/market characteristics leading to changes in trade embedding for specific products to specific places.

As embedding of trade is found at a specific place, the model gives clues where to look in order to explain this embedding. Investments made by lead firms in a place and the processes of territorialization as described in this research, are the key processes through which geographical embedding develops. The other blocks shown in the model are the methods for finding assets important in a specific case, and for finding the investments made by lead firms.

8.4 Further research and debate

As the world economy becomes increasingly integrated and product markets appear to grow geographically, product differentiation and dedication also increase. We have seen this in the case of clothing, with more and more collections per year. We have also seen this with flowers, where new market areas open up and flowers become increasingly branded. High-tech products also show this trend. Customization has grown, with multicolour laptops, mobile phones, and gadgets personalizing mass-produced goods. In every case study, flexibility and speed have grown in importance as assets in the chain since they enable dedication for changing markets. It is striking how the Netherlands tries to adapt to this increased demand for dedication and flexibility through intensive co-operation between logistics and distribution firms, advising committees of government, and national projects for improving logistics innovativeness and knowledge development. The way in which the Van Laarhoven Committee has assumed the challenge of the Dutch trade node shows great resemblance to the Committee and subsequent lobby group and association, Netherlands Country of Distribution.

What does this tell us about Dutch competitive strength in trade? This is an interesting question, especially in light of the varieties of capitalism-based literature stating there is a link between the institutional structure of a country and the type of economic activities it specializes in. Different territorialized production systems may be best suited to the demands of trade in different worlds of production and different kinds of products. Evidence has been found that there is a relationship between social systems of innovation and production and patterns of scientific, technological, and industrial

specialization. Institutions influence the assets in which they are invested, and in this manner affect the activities competitive advantages develop for (Amable, 2003).

It is interesting to place the Dutch trade hub in this perspective. Since this research only consists of Dutch cases, it has been impossible to look for patterns in the relationship between territorialized production systems and the world of production that accommodates trade. However, it is clear that the Dutch corporatist structure, in which public and private parties work together, has helped to create trade assets that need cooperation for their development. In the distribution node the coalition between state and industry resulted in the strong development of infrastructure. In the marketplace node of flowers the cooperation between growers created the dominant power of the auctions. Joint action of industry and state institutions has also made possible the development of efficient border procedures. In the case of clothing trade this joint action is much less present and the role of private-label suppliers is under great pressure. The corporatist structure, in which public and private parties work together, seems to be important in the adaptive capability, especially for the distribution hub and marketplace node. They create the institutional and technical innovations that allow for more flexibility, dedication and speed of distribution and trade that are increasingly needed in value chains, particularly in the Market World. It is less clear how this corporatist structure might add to the competitiveness of trade networks, but it certainly helps the distribution hub and marketplace. Countries that do not have such strong linkages between industry and government in the field of trade and distribution might encounter more difficulties in adapting a distribution hub or marketplace node to these changes in value chains. Future research could try to make these links between characteristics of a country's institutional structure and its role in international trade clearer by researching different countries, including their existing institutional structure for international trade and distribution.

Another direction in which future research could head is the link between logistics knowledge, physical flows of goods, and coordination and control of value chains. Although the relation between them is often present in policy debates, it is still uncertain how exactly they are related and what changes in the proportion between them mean for things like jobs (number, types), competitiveness, and the power to coordinate or control (parts of) the value chain. This research suggest at least that this connection is not as straightforward as one might think or hope. To make expectations of policy measures to strengthen logistics knowledge and innovation realistic, these relations should be more fully understood.

Finally, knowing that Dutch re-export data can include so many different kinds of activities that are embedded so differently in the Netherlands, it is time for a new interpretation in policy and debate on the changing volumes of re-exports.