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The Ambiguous Image of Exports as Major Driver of Dutch Economic Growth

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The process of globalisation has played an integral part in stimulating firms to engage in global value chains, servitisation and factoryless goods production, among other things, see Fontagné and Harrison (2018), for example. The general image emerging from the last decades is that international trade is typically regarded as the driving force of Dutch economic growth. For example, exports contribute to one-third of the Dutch GDP and total employment, and this share has been showing a steady upward trend.

However, recent export figures provided by Jaarsma and Wong (2019) demonstrate for the first time the substantial volume of factoryless goods production, which turns out to be also of increasing magnitude in the more recent years. Put differently, this means that the Dutch goods exports increasingly and more significantly consist of export products which were sent abroad for processing outside the Netherlands. Since very little value added is typically embodied in factoryless goods production, the inclusion of these export flows in the current Dutch goods exports in the national accounts complicates the interpretation and ‘real’ assessment of the importance of Dutch exports for economic growth. In fact, we argue that it may even provide an overly optimistic image of the contribution of exports to the growth of Dutch welfare and employment.

This paper explores the possibility that factoryless goods production is (gradually) becoming a major contributor to the Dutch economic growth. By combining highly detailed microdata at the firm-product level and macro information from the national accounts we first distinguish between trade flows of domestically produced goods and goods produced abroad. Second, we determine the benefits of the two different export flows to the Dutch economy in terms of value added and employment. Third, we disentangle the Dutch economic growth by decomposing this economic variable into contributing factors, with special emphasis on the growth of factoryless goods production. This information is highly relevant for policy aimed at maintaining economic growth. In addition, the results allow one to answer whether the particular part of economic growth due to the ongoing globalisation is ‘inclusive’.

