

# Internationalisation Monitor

2017-I

United Kingdom





**Internationalisation**

**Monitor**

**2017-I**

**United Kingdom**

## Explanation of symbols

.	Data not available
*	Provisional figure
**	Revised provisional figure (but not definite)
x	Publication prohibited (confidential figure)
–	Nil
–	(Between two figures) inclusive
0 (0.0)	Less than half of unit concerned
empty cell	Not applicable
2015–2016	2015 to 2016 inclusive
2015/2016	Average for 2015 to 2016 inclusive
2015/'16	Crop year, financial year, school year, etc., beginning in 2015 and ending in 2016
2013/'14–2015/'16	Crop year, financial year, etc., 2013/'14 to 2015/'16 inclusive

Due to rounding, some totals may not correspond to the sum of the separate figures.

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# Foreword

The Netherlands and the United Kingdom have a great deal in common. Hundreds of years ago, both countries were maritime superpowers, monopolising the trade in raw commodities and spices from faraway places.

Even after numerous conflicts and two world wars, the Netherlands has continually strengthened its position as gateway to the European hinterland without ever losing sight of its relations with the Anglo-Saxon/Anglo-American world. As one of the founders of the European Community, the Netherlands called for the UK's accession to the Union, which eventually became reality in 1973. Since then, the Netherlands has explicitly sought cooperation and alliance with the United Kingdom on a wide range of issues.

Since 23 June 2016, however, political, economic and historical ties between the UK and the Netherlands – and, more widely, the EU – have been under pressure. On that day, a majority of the British people voted in favour of leaving the European Union. The form this 'Brexit' will take is still unclear at this moment. Will the free movement of persons, goods and services be restricted? How will trade agreements between the EU and the UK be affected? While there is much uncertainty about the future effects on the Netherlands, the deep interlinkages between the two countries signify a potentially strong impact on our country.

The Internationalisation Monitor before you presents a 'snapshot' of the economic interlinkages between the two countries, 'taken' prior to the referendum. It comprises a detailed focus on the free movement of goods and services between the Netherlands and the UK, but also on capital flows, British and Dutch multinational activity, as well as British employment and entrepreneurship within the Netherlands. The United Kingdom is one of our key trading partners, with a share of over 9 percent in our goods exports and 10 percent in our services exports in 2015. That year, the Netherlands' net revenues from these exports – after deduction of costs – amounted to around €21 billion, equivalent to 3% of Dutch GDP. But the mutual interdependence is much stronger: the financial sector as well as the private sector as a whole are very strongly financially interwoven. Dutch pension funds hold British securities to a value of €45 billion; British tourists like to visit the Netherlands and spend large sums of money here, while many British students are enrolled at Dutch universities.

With detailed insights into the value added generated by the Dutch business economy in exports to the UK, the Monitor covers not only direct earnings in sectors exporting to the UK, but also specifically the earnings generated by the suppliers to

these sectors, the suppliers to these suppliers and so on. This gives a clearer picture of the sectors that profit from bilateral trade with the UK and how many jobs they create, thereby allowing further assessment of sectors which may be vulnerable to the consequences of Brexit.

Brexit is a lot more than a story of a threat for Dutch exports and the Dutch economy. Aside from being a major trading partner for the Netherlands, the UK is also a rival exporter of machinery and chemical products, for instance: businesses from both countries are competing on the same export markets elsewhere in Europe, the United States and the rest of the world. Changing relations between the United Kingdom and these export destinations may well offer new opportunities for Dutch exports. This publication reviews the shared distribution markets and compares the export packages of the United Kingdom and the Netherlands.

The impact of Brexit on the Netherlands is still unclear. What is certain is that Statistics Netherlands (CBS) will continue to follow future developments as closely as possible, through a number of economic and social indicators in its Brexit Monitor ([www.cbs.nl/en-gb/dossier/brexitmonitor](http://www.cbs.nl/en-gb/dossier/brexitmonitor)). Other editions of the Internationalisation Monitor and information about globalisation can be found in our Dossier Globalisation ([www.cbs.nl/en-gb/dossier/globalisation](http://www.cbs.nl/en-gb/dossier/globalisation)).

**Director General,  
Dr. T.B.P.M. Tjin-A-Tsoi**

The Hague/Heerlen/Bonaire, March 2017

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# Internationalisation and the United Kingdom – an introduction

After more than 40 years, the United Kingdom is leaving the European Union. This is the result of the national referendum held on 23 June 2016, asking British voters whether the UK should remain in the EU. The United Kingdom is the EU's third largest economy and, in spite of the rebate negotiated by the UK to reduce its EU contributions, it has been one of the largest net contributors to the EU for years (Kazemier & Verkooijen, 2016). It is these net contributions, an aversion to the shift of sovereignty towards Brussels as well as popular discontent with the (alleged impact of) unrestricted migration to the UK that fed the sentiment among British people voting to leave the European Union.

Departure from the EU implies a withdrawal from the European internal market, possibly ending the free movement of goods, capital, services and persons both to and from the UK. Separating the UK from the EU is a complex process. The endpoint for UK-EU relations will depend on the agreements concluded between both sides during the exit negotiations.

Regardless of the outcome, the Netherlands ranks high among the EU members with the strongest ties to the UK (Global Counsel Group, 2015). The Netherlands earns the second highest export revenues from trade with the UK, after Germany. The Dutch business community is closely connected with the UK and has investments in the country worth several hundred billion euros. The financial sectors on both sides have many mutual interests. The UK and the Netherlands tend to be closely aligned in policy views and voting behaviour within the various multilateral bodies (according to Dutch central government, 2017). Therefore, Brexit looks like bad news for the Netherlands. The impact of Brexit on the Dutch economy, both short-term and long-term, is projected as negative in scenarios set up by the Netherlands Bureau for Economic Policy Analysis (CPB, 2016a; CPB, 2016b), with reduced trade as the main culprit. High time, then, to make our existing relations with the United Kingdom the central focus of the Internationalisation Monitor.

Chapter 1 cites a number of areas that demonstrate the high degree of interdependence between the UK and the Netherlands. The chapter begins with an overview of economic developments in the UK since the referendum. This is followed by a detailed outline of foreign direct investment from the Netherlands

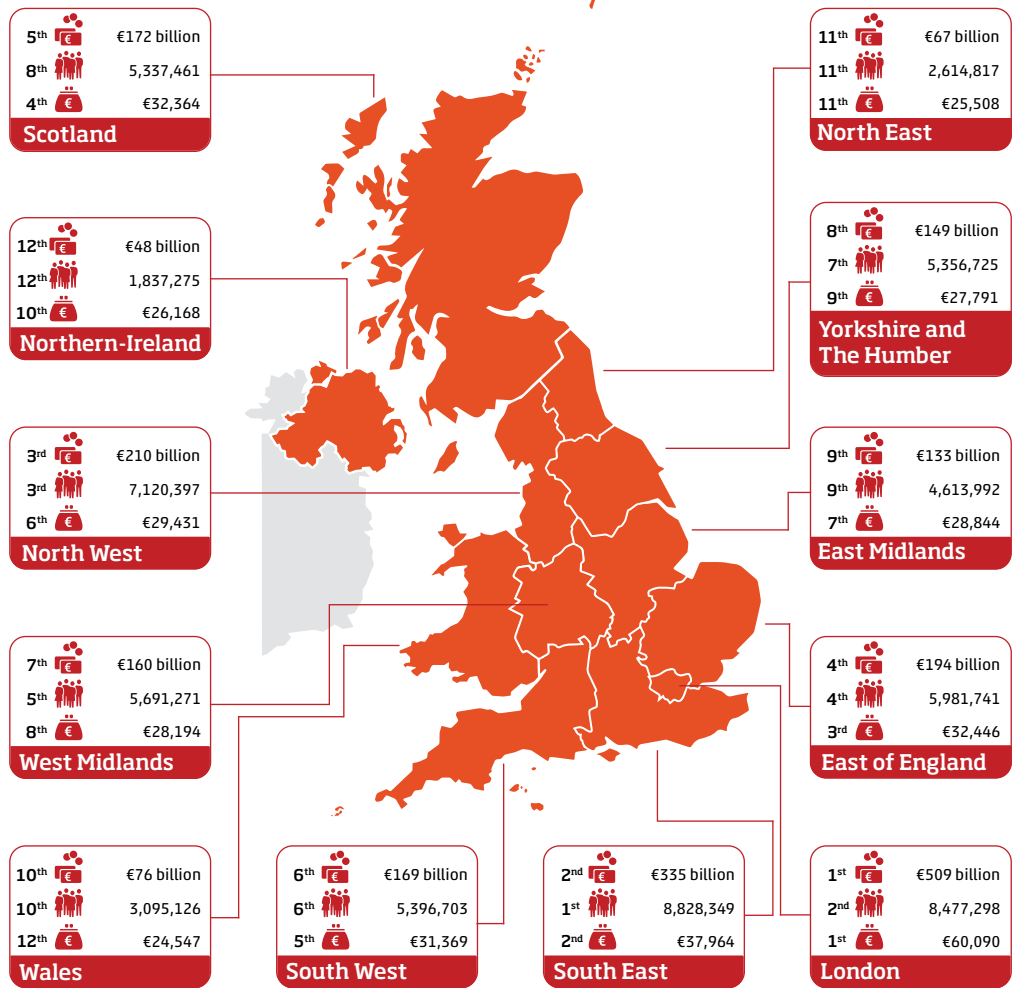
in the UK and vice versa. Service exports to the UK are focused on in detail. A brief description of migration flows between the Netherlands and the UK serves to address the free movement of persons between the two countries. In addition, there is a section on British entrepreneurs in the Netherlands.

Chapter 2 features a review of key trends and developments in Dutch goods trade with the UK. A more in-depth analysis of goods exports provides insight into the volume and types of commodities as well as a distinction between re-exports and exports of domestically produced goods. The chapter also offers a regional perspective on international trade with the UK: trade with Scotland, Wales, Northern Ireland and the various regions of England (see infographic on the next page). Lastly, this chapter describes the overall composition of goods exports from both the UK and the Netherlands; the two countries serve the same export markets, after all.

Chapter 3 examines which businesses export goods and services to the UK. Services are relatively often supplied by large enterprises, although (traditional) SMEs remain the largest exporters of both goods and services. Manufacturing, energy and wholesale enterprises in particular export large quantities of goods to the UK. Aside from international trade, another key indicator of economic interdependence is the presence of multinationals. British multinational corporations represent 0.12% of the Dutch non-financial business economy but generate 1.9% of overall employment and 3.8% of aggregate turnover in the Dutch business economy. This makes their significance on the local job market as well as for Dutch corporate turnover twice that of Dutch multinationals in the UK.

In chapter 4, gross export flows are stripped of imported components such as raw materials and semi-manufactures in order to determine the value added by this trade to the Dutch economy. Businesses active in wholesale trade, land transport and oil and gas extraction not only sell relatively high volumes to the UK, but are also the highest earning sectors in this trade. In 2015, the Dutch economy as a whole benefited from exports of goods and services to the UK to an amount of nearly €21 billion, roughly equivalent to 3% of Dutch GDP. Jobs created by these exports and the industries involved are another topic in this chapter.

# Regional rankings in the United Kingdom



€ Gross Regional Product (GRP)    Population    € GRP per capita

Source: Eurostat (2014).



1.

# The United Kingdom in brief

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Sjoertje Vos



# Nothing to declare Niets aan te geven



**2.0%** economic growth in the UK in 2016

**11%** of Dutch FDI resides in the UK

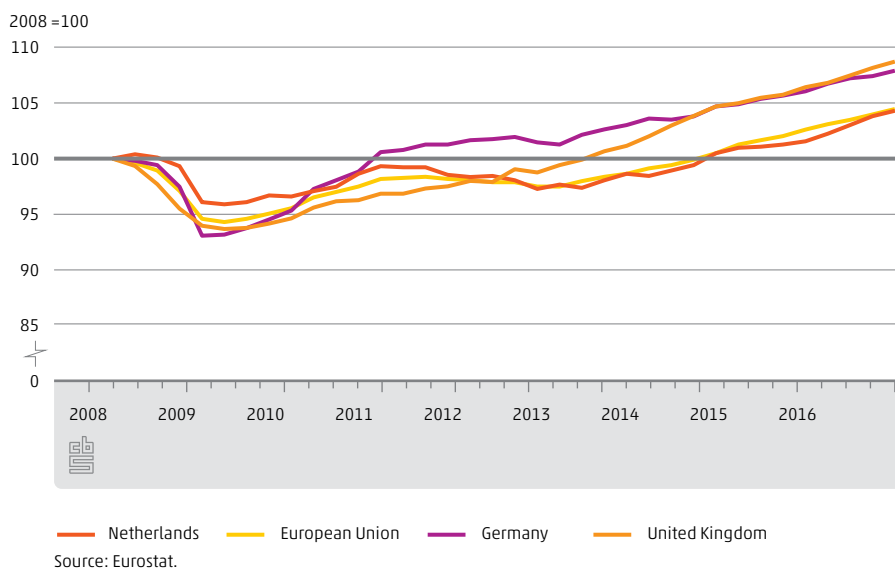
**This edition of the Internationalisation Monitor focuses on the relations between the United Kingdom and the Netherlands. It takes a detailed look at the trade ties between the two countries and the revenue these ties generate. However, the free movement of goods is only one of the four freedoms underlying the European Union. A potential Brexit will affect not only the international goods trade but also other fields. This chapter therefore considers the other freedoms: the free movement of capital, services and persons. It also focuses specifically on entrepreneurs in the Netherlands with a British migration background. But we begin the chapter with the latest figures on the UK economy since the Brexit referendum.**

## **1.1 The UK after the referendum: robust economic growth, rising inflation**

Although the European Commission (2016) and several other international organisations expected the outcome of the referendum to have an immediate negative economic impact on the UK, the country's economy continues to show robust growth. Economic growth in the second half of 2016 was higher than in the first half, and the figure for 2016 as a whole was 2.0%. Household consumption remained at the same level and investment expanded again after contracting the year before. The export of services rose sharply, as did the import of goods. On the other hand, the third quarter saw the largest contraction in goods exports in over three years (ONS, 2017; Eurostat, 2017a).

This robust growth continues a longer-term trend. In 2008 and 2009 the UK economy, like other European economies, was hit hard by the global credit crisis (see figure 1.1.1). Since then, however, the economy has returned to a clear growth path. The UK economy has grown faster than the German economy relative to 2008. Both the Dutch economy and the economies of the EU as a whole have grown significantly more slowly relative to 2008 (Eurostat, 2017a).

### 1.1.1 Gross Domestic Product, seasonally adjusted, 2008-2016



## Falling pound and rising commodity prices push up inflation

The financial markets reacted strongly immediately after the referendum. The British pound depreciated considerably and share prices initially fell sharply. Since then, share prices have risen to new all-time highs, but the value of the pound has not recovered and in December 2016 it was 15% lower than a year earlier. The falling value of the pound and rising commodity prices have contributed to a substantial rise in the prices of UK imports. The prices of the input materials required by UK industry increased markedly in the second half of 2016, resulting in a rise in the sales prices of UK products. Although a similar trend is discernible throughout the European Union, the prices of industrial products in the UK rose faster (ONS, 2017; Eurostat, 2017b).

Alongside the rise in the import prices and sales prices of British industry, inflation in the UK increased as well: from about 0% to nearly 2% in the space of a year. A similar trend is visible in many EU countries (ONS, 2017; Eurostat, 2017c).

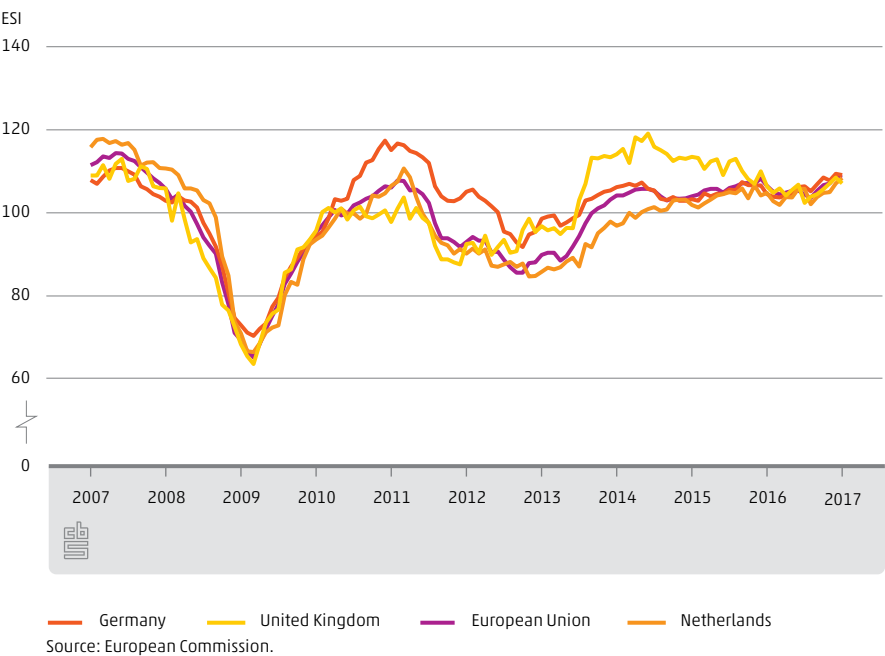


# Economic sentiment in UK: slight post-referendum dip followed by steady improvement

According to various indicators, economic confidence initially declined in the UK after the referendum but then recovered. In January 2017 the overall economic sentiment indicator was close to its highest level in nearly two years. Consumer confidence fell sharply in July 2016 but has since improved significantly. Since early 2016 producer confidence has improved steadily, despite a slight dip after the referendum. In January 2017 the confidence indicators in the construction, retail and service industries were also higher than in the month after the referendum. The robust overall growth of the UK economy seems to be supporting the prevailing sentiment and, as yet, there is little in the way of negative short-term expectations.

This trend in confidence indicators can also be seen elsewhere in Europe, as shown by figure 1.1.2. Sentiment everywhere is better than during the severe recession in 2009 and in the initial years of the euro crisis (2011–2012). After the Brexit referendum on 23 June 2016, economic confidence in the EU fell slightly, but in January 2017 it reached a level higher than in early 2016 (European Commission, 2017).

1.1.2 Economic Sentiment Indicator, 2007–2017



## 1.2 United Kingdom third biggest foreign direct investor in Netherlands

At the end of 2015 Dutch businesses and institutions had €454 billion worth of direct investments in the UK. This is over 11% of all Dutch investment abroad. The UK has investments worth €335 billion in the Netherlands. In this regard, the UK ranks third, after the US and Luxembourg (DNB, 2016a).

Foreign direct investment means investment by Dutch businesses and institutions in foreign businesses and vice versa involving a direct investment relationship, for example where a parent company has a stake of over 10% in a direct foreign subsidiary. Direct investment can entail share capital purchases (acquisitions, mergers, new incorporations), loans and real estate purchases. Dutch businesses and institutions own British real estate worth a total of €1.3 billion (DNB, 2016a).

A large share of foreign direct investment is channelled through special financial institutions (SFIs). SFIs are Dutch-based subsidiaries of foreign companies that act as financial intermediaries between different parts of the group they belong to. The receivables and liabilities of these institutions tend to involve direct investment from one country via the Netherlands in another country, or the channelling of funds raised abroad to the foreign parent company. Some 75% of all foreign direct investment from and to the UK passes through SFIs (DNB, 2016a).

Nearly half of foreign direct investment by Dutch businesses comes from industry. It includes financial flows from major Anglo-Dutch multinationals. A great deal of investment also comes from the financial sector and the transport, warehousing and telecommunications sectors. By far the largest share of investment from the UK goes to the Dutch financial sector, including SFIs.

### 1.2.1 Foreign direct investment

	2010	2015
	Bn euros	
Netherlands		
Direct investment in the United Kingdom	413	454
equity investment	303	310
other investment	111	145
United Kingdom		
Direct investment in the Netherlands	348	335
equity investment	312	258
other investment	35	77

Source: DNB.

## Private individuals and pension funds own many UK securities

Alongside businesses' shareholdings in British companies, Dutch businesses, institutions, private individuals and pension funds also have considerable portfolio investments in the UK. The Netherlands owns shares and debt instruments in the UK totalling €105 billion. Only in the US, Germany and France does it hold a higher value of securities. Pension funds hold securities worth €45 billion from the UK, about 7% of the foreign securities they own. This includes government and corporate bonds, and shares. Dutch households' investments in UK businesses are held mainly in the form of shares, to the value of €2.3 billion (DNB, 2016a).

## 1.3 UK second biggest trading partner in services

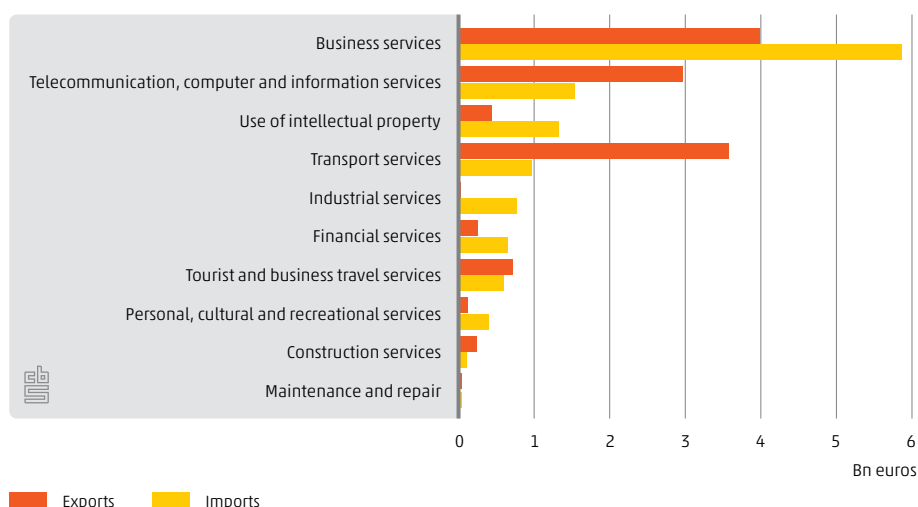
In the first three quarters of 2016, the trade in services with the UK, for both imports and exports, was about 11% of the total value of Dutch imports and exports of services. In absolute terms, both service imports from the UK and service exports to the UK were about €12.4 billion in the first three quarters of 2016. This is higher than in the first three quarters of 2015, when imports were €11.5 billion and exports €11.9 billion. This means that the UK is one of the Netherlands' main trading partners for services. In 2016 the UK ranked third among countries from which the Netherlands imports services, behind the US and Bermuda. The UK also

ranks third in terms of service exports, behind Ireland and Germany and just ahead of the US. When imports and exports are taken together, the UK is the Netherlands' second largest trading partner in services, after the US.

## Business services biggest category for both imports and exports

In 2016 business services (for example R&D), professional and management consulting services, and technical services were the main services exported to the UK and also the main services imported from the UK (see figure 1.3.1). Importing services means paying for services provided by the UK. Exporting services means that the UK pays for services provided by the Netherlands. The second biggest exports to the UK are transport services and the third-biggest are telecommunication, computer and information services. The second biggest imports from the UK are telecommunication, computer and information services and the third biggest is the use of intellectual property in respect of royalties. The difference between imports and exports of transport services, with exports being substantially higher, is related to the import and export of goods to the UK (see also chapter 2). This applies to all modes of transport.

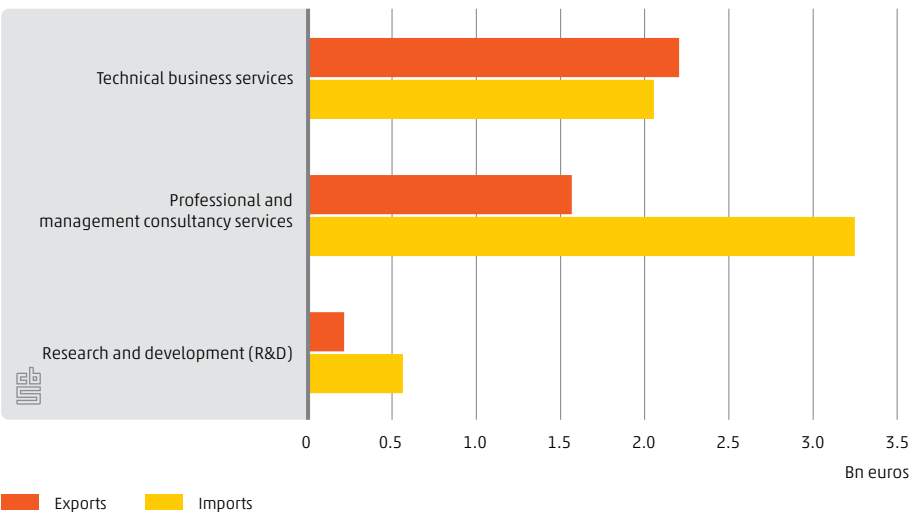
### 1.3.1 Service trade with the UK by category, first three quarters 2016



## Management consulting services important imports, technical services key exports

Professional and management consulting services are the main business services imported from the UK, totalling €3.2 billion (see figure 1.3.2). This represents 55.3% of all business services imported from the UK. Technical services are the main services exported, totalling €2.2 billion. This represents 55.3% of all business services imported from the UK.

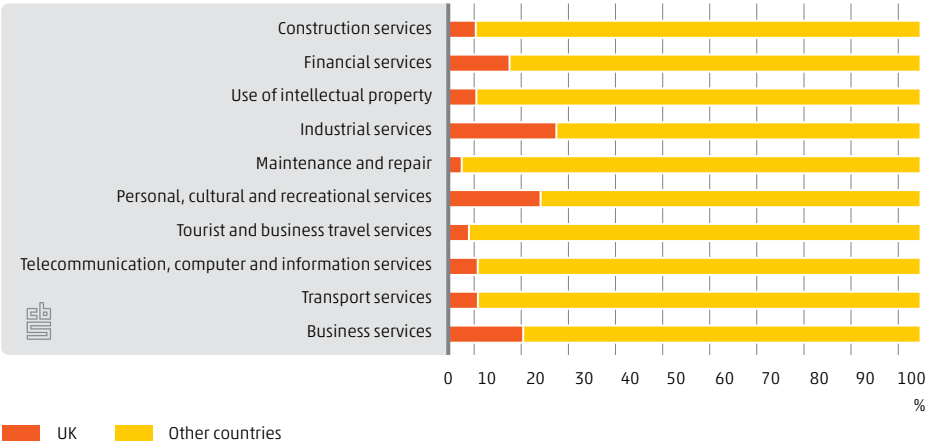
**1.3.2 Business services imports and exports, by subcategory, first three quarters 2016**



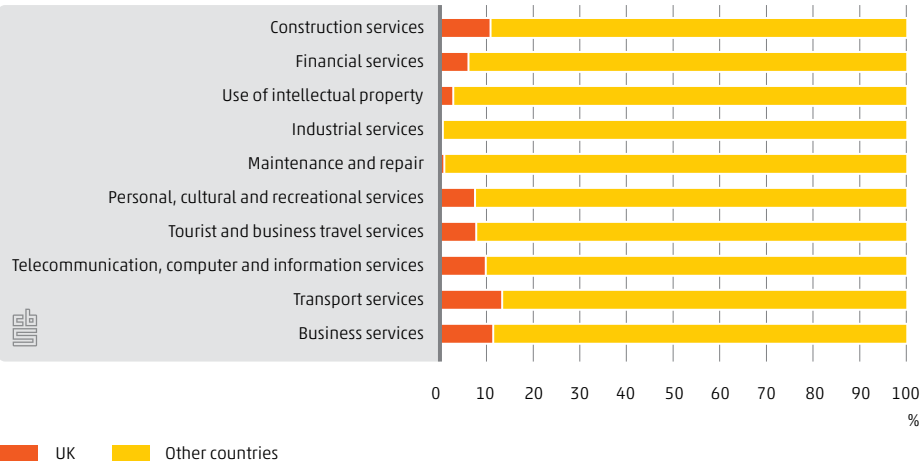
## Industrial services are the main imports and transport services the main exports

If we look at the UK's share of the Netherlands' total imports and exports, industrial services are the main imports, followed by personal, cultural and recreational services and business services (see figure 1.3.3). Among exports, the UK's share is greatest for transport services, followed by business services (see figure 1.3.4).

1.3.3 UK share in service imports by category, first three quarters 2016



1.3.4 UK share in service exports by category, first three quarters 2016



1.4 Living, working and holidaying

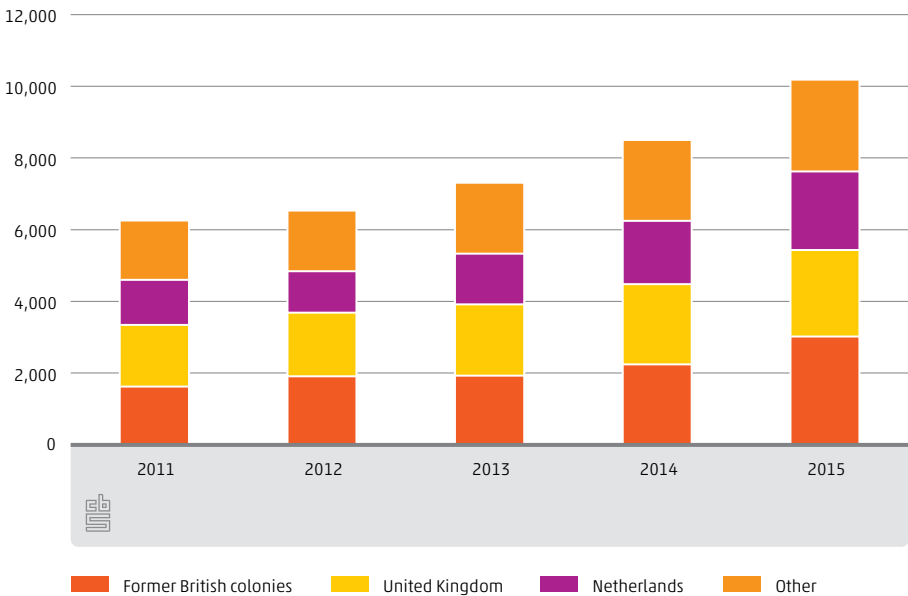
The free movement of persons within the European Union is one of the EU’s most important core values. EU residents may travel to other EU member states without any restrictions. However, different rules apply in the ‘new’ member states and also in the member states that are not part of the Schengen area (for example the

United Kingdom). The free movement of persons and immigration to the UK played a prominent role in the referendum campaign on whether to leave the EU. Since voters opted for Brexit, freedom of movement between the UK and other European countries will be one of the issues addressed in the upcoming negotiations. This section describes some of the features of migration between the UK and the Netherlands. It also describes the current situation regarding tourism between the two countries.

## Emigration from the Netherlands to the UK

The number of emigrants from the Netherlands to the United Kingdom rose from 8,200 in 2011 to 10,500 in 2015 (see figure 1.4.1). Only Germany received more emigrants from the Netherlands: 14,000 people. Nearly 30% of people emigrating from the Netherlands to the UK have roots in the former British colonies, such as India or Pakistan. They are followed by British nationals (24%) and Dutch nationals (21%). A total of 45,200 emigrants left the Netherlands for the UK over the past five years. 38,600 of them did not return to the Netherlands in the same period. In particular, the number of emigrants originating in one of the former British colonies increased during this period (CBS, 2016a; CBS, 2017a).

**1.4.1 Emigration from the Netherlands to the UK, by origin group, 2011-2015**



## Emigrants born in the Netherlands

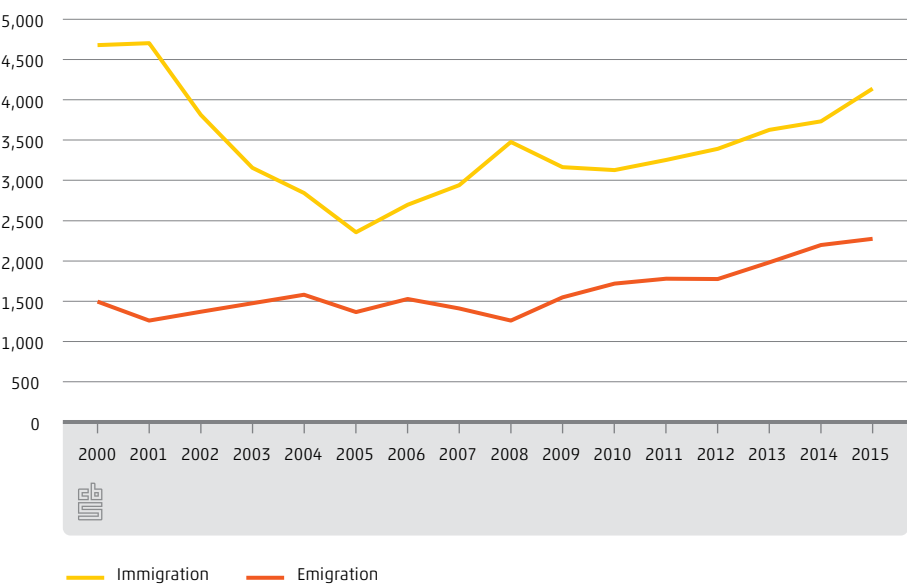
According to the latest official survey by Eurostat, in 2011 nearly 64,000 people living in the UK were born in the Netherlands (Eurostat, 2014). Since that survey, nearly 10,000 more Dutch people have settled in the UK. This means it is estimated that over 73,000 people born in the Netherlands were living in the UK on 1 January 2016.

A total of almost 2.9 million people from other EU countries were living in the UK in 2015. People born in the Netherlands account for 2.4% of people from other European countries living in the UK (CEPR, 2016). Dutch immigrants therefore make up a relatively small group in the UK. As a country of origin, the Netherlands ranks 11th in absolute terms, and joint 13th in relative terms (on the basis of size). The UK is therefore an important destination country for the Netherlands. In 2015 nearly 10% of Dutch-born emigrants moved to the UK.

## Immigration from the UK

The number of British people in the Netherlands has increased over the past two decades. On balance, more British-born people came to the Netherlands each year than left it. In 2015 the number British-born people moving from the UK to the Netherlands exceeded 4,000 for the first time since 2001. This is almost twice the number who left for the UK (see figure 1.4.2).

### 1.4.2 Immigration and emigration by British-born people, 2000-2015

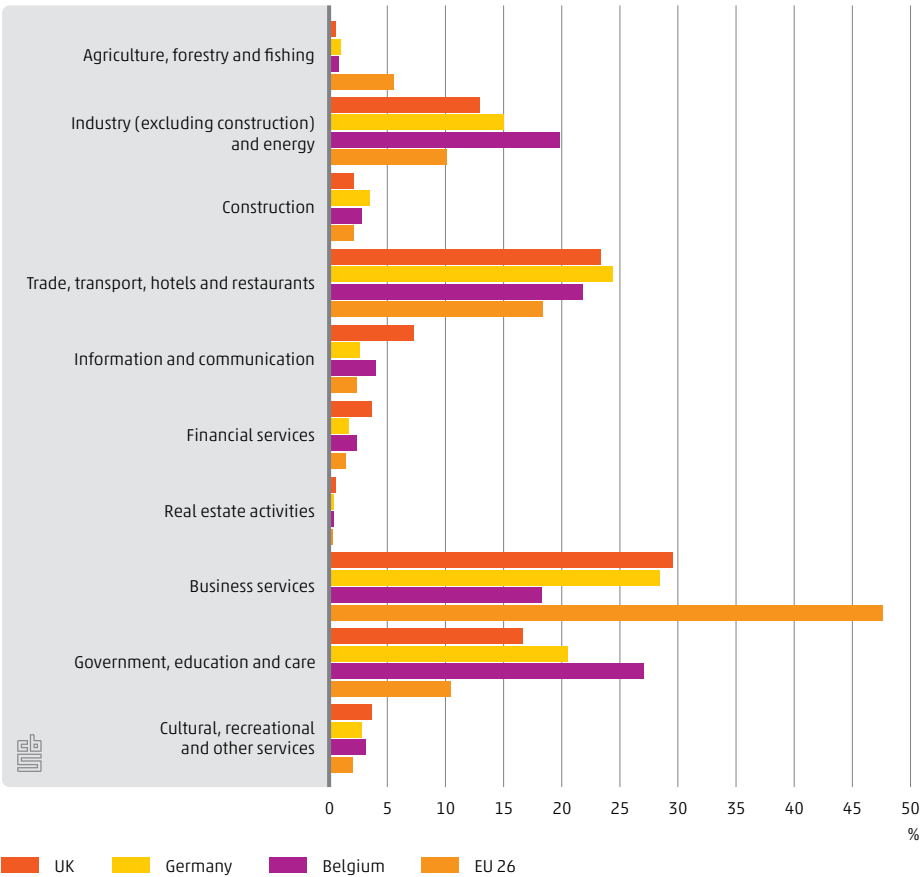




The immigration of people born in the UK declined sharply after the peak year of 2001; by 2005 the number had nearly halved. This dip in the immigration of British nationals from the UK occurred in a period characterised by the bursting of the dot-com bubble, an economic downturn in the Netherlands, a fall in the number of jobs in the Netherlands and a decline in overall immigration. The outbreak of the financial crisis in late 2008 led to another brief reduction in immigration from the UK, but much smaller in scope. The emigration of British people to the UK fluctuates much less sharply from year to year (CBS, 2016b).

Over 46,000 British people were living in the Netherlands on 1 January 2016. This is under 0.1% of the total population of the UK, and less than 3% of the Dutch population. A total of over 1.2 million British people were living in other EU countries (CEPR, 2016). This makes the Netherlands the sixth biggest destination country in absolute terms. For various reasons, Spain and Ireland are by far the favourite destination countries. There are also many more British people living in France, Germany and Italy than in the Netherlands.

1.4.3 Distribution of foreign employees by sector, 2014



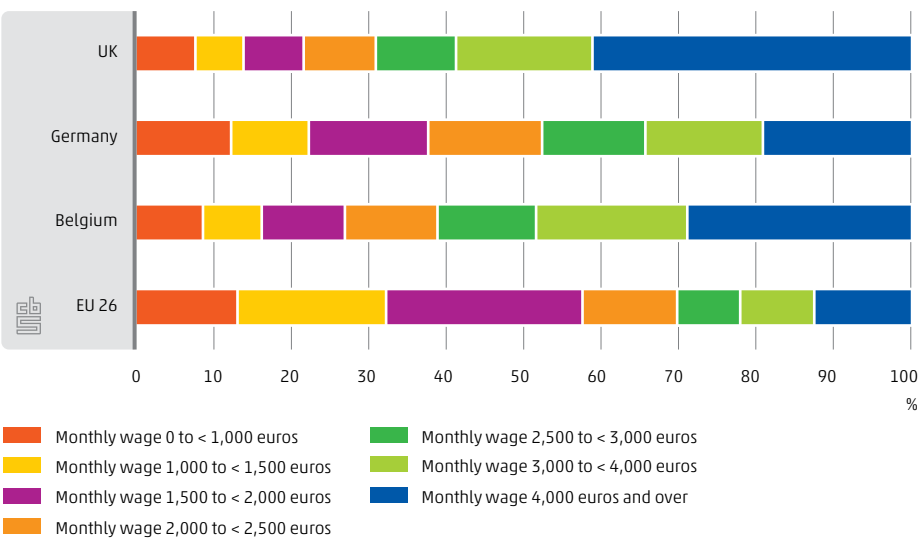
# British nationals in the Netherlands earn more

In 2014, over 19,000 of all the British-born people in the Netherlands were employed here. This means that British-born people accounted for less than 3% of all foreign workers in the Netherlands in that year. This percentage has remained fairly stable in recent years. In addition, there are over 9,000 British entrepreneurs in the Netherlands (see section 1.5).

Nearly 60% of British employees in the Netherlands earned over €3,000 a month in 2014. Over 40% of them even earned more than €4,000 a month. This means that the percentage of British people in the highest salary brackets is far higher than that of employees from neighbouring countries like Germany and Belgium or other EU countries (see figure 1.4.4).

Like many other immigrants from the EU, British people in the Netherlands frequently work in the trade and business services sectors. In 2014 over half of the British workers here were employed in these sectors. British employees are more likely to work in the financial services sector (4%) and the information and communications sector (7%) than Dutch people and immigrants from other countries. Salaries in these sectors are above average. Within these sectors, too, British employees are more likely to be in higher salary brackets than other foreign workers.

## 1.4.4 Monthly wages of employees born abroad, 2014

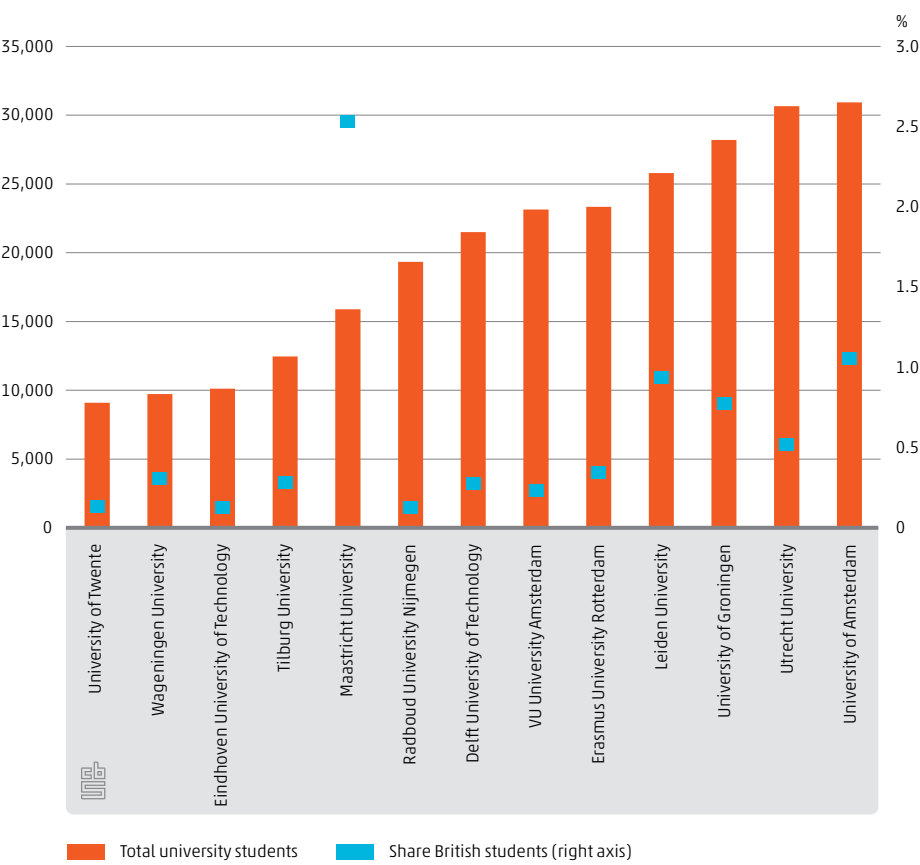


# British students in the Netherlands

Many Dutch people and British emigrants move to the United Kingdom to study or for their first job. Over half of Dutch emigrants and a third of British emigrants are between 18 and 30 years old. Similarly, many British immigrants come to the Netherlands for study or training purposes.

A total of over 1,600 British students were enrolled at Dutch universities in the 2015/2016 academic year. This is equal to 0.6% of all university students in that year. Nearly a quarter of British university students are enrolled at Maastricht University, where they make up 2.5% of the student population – the largest share at any university. The University of Amsterdam has the second-highest percentage of British students, followed by Leiden University (see figure 1.4.5).

1.4.5 British students enrolled at Dutch universities, 2015–2016



# 800 first-year British students enrolled at Dutch universities in 2015/'16



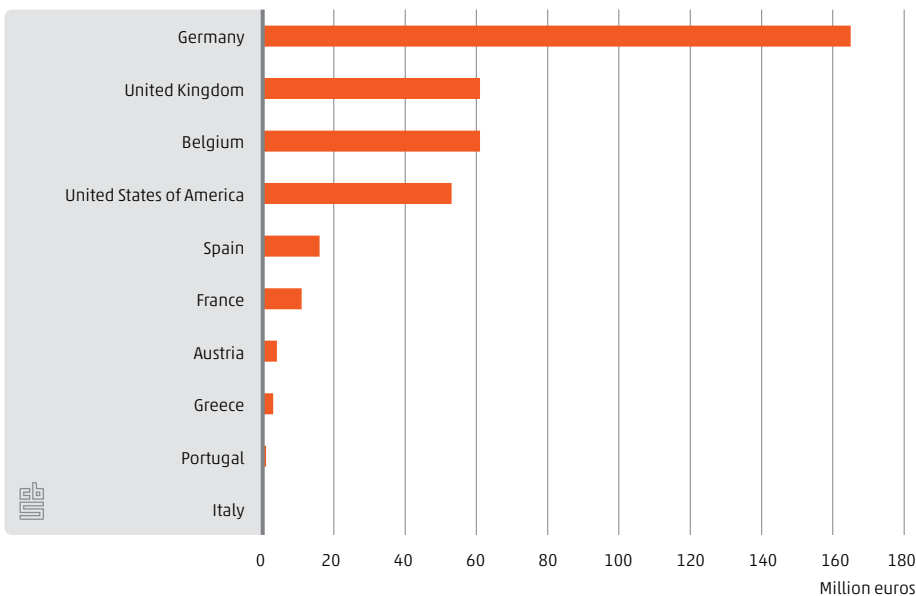
Just over 800 British students enrolled as first-year students at Dutch universities in the 2015/'16 academic year. This means that the percentage of British students is greater at the start of a course than it is overall. Maastricht is also popular among first-year British students; over a fifth of them were enrolled there. In that academic year British students therefore made up 6% of all first-year foreign university students at Maastricht University. In absolute terms, the number of first-year British students was greatest at the University of Amsterdam: over 200.

## Holidays and tourism

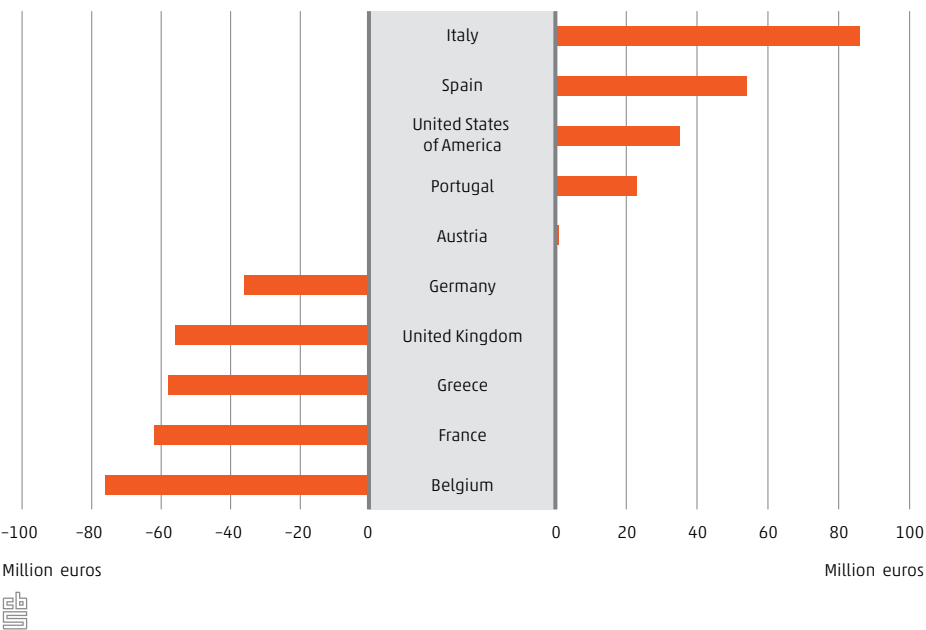
In addition to living or working in each other's countries, Dutch and British people also make shorter visits. In 2015 about 2 million British people visited the Netherlands and stayed an average of 2.8 days. While here, they spent an average of €240 a day. Both the number of guests and the number of overnight stays in the Netherlands have increased over the past four years, an increase which continued in 2016. During the first three quarters of 2016 spending by British travellers in the Netherlands rose by nearly 10%. Only Germany saw a greater increase in the spending of British travellers (see figure 1.4.6).

Dutch people travelling in the UK spent just over 8% less during the first three quarters of 2016 than in the previous year – a reduction of €56 million. Overall, Dutch people spent 2.6% less abroad. In particular, Belgium, France, Greece, the UK and Germany received less income from Dutch travellers (see figure 1.4.7).

**1.4.6 Changes in tourist and business spending in the Netherlands by foreign travellers, first three quarters 2016 year-on-year**



**1.4.7 Changes in tourist and business spending by Dutch people abroad, first three quarters 2016 year-on-year**



## 1.5 British entrepreneurs excel in financial services and real estate

In 2014 there were 9,100 entrepreneurs with a British migration background in the Netherlands. That means that one in 18 British people in the Netherlands is an entrepreneur. Together they owned 9,000 businesses. People of non-Dutch origin boost cultural diversity. Possible benefits are that such entrepreneurs may have a foreign network, speak foreign languages or be familiar with foreign markets. Having a non-Dutch background can also have downsides. In addition to having a more limited Dutch network, entrepreneurs with a foreign origin may face greater language, knowledge or education barriers.

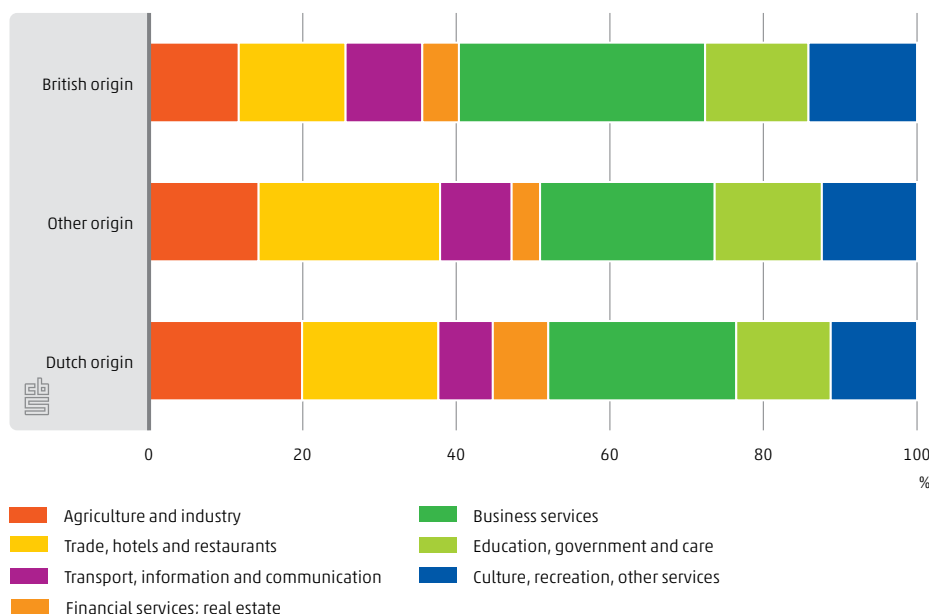
Entrepreneurs, whether of British or Dutch origin, most often operate in the business services sector (see figure 1.5.1). But this is more common among British entrepreneurs: one in three British entrepreneurs operate in that sector compared with one in four Dutch entrepreneurs.

**9,100** British entrepreneurs  
active in the Netherlands in 2014



Within the business services sector, British entrepreneurs specialise in different areas than Dutch entrepreneurs. British entrepreneurs mainly have consultancies, advertising agencies or software development companies. Dutch entrepreneurs, on the other hand, mainly have consultancies, architectural firms or businesses providing accountancy and tax consultancy services. Entrepreneurs of non-British or non-Dutch origin mainly own businesses in the trade and hospitality sector, for example restaurants, supermarkets or retail businesses.

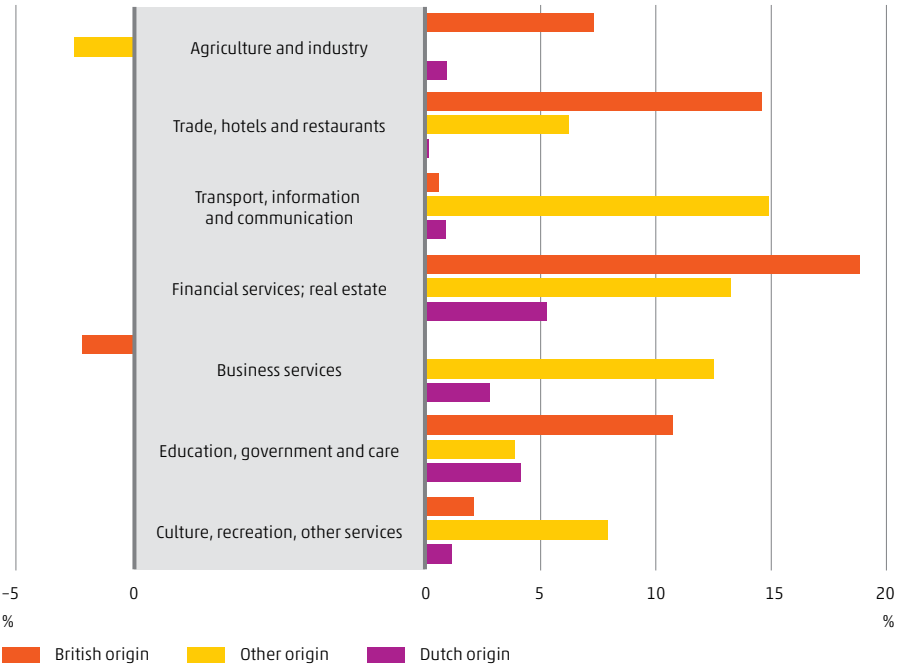
### 1.5.1 Enterprises by owner's migration background and sector, 2014



As well as engaging in different activities, British entrepreneurs also achieved different operating results compared with entrepreneurs of non-British origin in the same sectors. In nearly all sectors, British entrepreneurs achieved a higher average turnover growth in the 2010–2014 period than entrepreneurs of non-British origin (see figure 1.5.2).<sup>1)</sup> British entrepreneurs performed particularly well in the financial services and real estate sector. In this sector, British entrepreneurs achieved an average turnover growth of 19% per year. However, there are also sectors where British entrepreneurs perform less well than entrepreneurs with a different origin. In the business services sector in particular, businesses of entrepreneurs of non-British origin performed considerably better in relative terms.

<sup>1)</sup> Average annual turnover growth over the period 2010–2014.

### 1.5.2 Average turnover development by owner's migration background and sector, 2010-2014



British entrepreneurs are more likely to have an export business than entrepreneurs of non-British or non-Dutch origin. However, the difference in the proportion of businesses operating in the international market is fairly small. About 4.2% of British businesses have export operations compared with 3.5% of Dutch businesses and 3% of businesses owned by entrepreneurs with a different origin. Half the entrepreneurs of British origin involved in the export business export to the UK. In the case of non-British entrepreneurs, one in five businesses do so.



2.

# Trends in goods trade with the United Kingdom

Authors

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**3<sup>rd</sup>** largest export destination for Dutch goods

**5<sup>th</sup>** largest supplier of goods to the Netherlands



**The Netherlands and the United Kingdom are important international trading partners. The UK is the third largest destination for Dutch goods exports after Germany and Belgium, and the fifth largest source of Dutch imports. This chapter looks at trade between the UK and the Netherlands from a variety of angles: bilateral trade (from Dutch and UK perspectives) and differences in national exports (the Netherlands in comparison with the UK).**

## 2.1 Introduction

The United Kingdom is one of the largest economies in the world and a major trading partner of the Netherlands. In 2016, approximately 9% of Dutch exports went to the UK and nearly 6% of Dutch imports came from the UK. Dutch exports may suffer when the UK leaves the EU on account of, for example, trade treaty revisions and exchange rate effects (Lemmers & Vancauteren, 2009; Vancauteren, 2015; CBS, 2015a).

In 2016, Dutch goods imports from the UK were worth €21.7 billion (5.7% of total imports) and its goods exports to the UK were worth €39.4 billion (more than 9% of total Dutch exports). Goods trade with the UK is slightly smaller than might be expected from the size of the UK economy and its geographical proximity. It is known from the economic literature that the size and proximity of an economy account for a significant proportion of the goods trade between countries (for example Disdier & Head, 2008; Krugman et al., 2015).

Reports on trade between the Netherlands and the UK tend to focus on the national level. Few analyses have been made at a lower level of aggregation, such as trade in specific types of goods. Little attention has so far been paid, for example, to the distinction between exports of goods made in the Netherlands and exports of goods that are first imported into the Netherlands and then re-exported, and little has been written to date about Dutch trade with the various regions in the UK. The impact of possible Scottish independence and regional differences in economic profile, for example, are rarely considered.

A more detailed understanding of the size and composition of the trade between the Netherlands and the UK is therefore needed. This chapter looks at developments at a lower level of aggregation and longer-term trends in bilateral trade. It asks what proportion of the trade consists of re-exports and what proportion consists of products made in the Netherlands, what regions of the UK

Dutch businesses trade with the most and in what goods exports the Netherlands specialises compared with the UK.

Section 2.2 first describes the data and methods used. Bilateral trade is considered from a Dutch perspective in section 2.3 and from a UK perspective in section 2.4. The UK perspective and the use of UK data are necessary to analyse trade by region, and only UK statistics are available for this at present. Differences and similarities in exports are considered in section 2.5. The chapter closes with a summary and conclusions.

**33.5%** share in  
Dutch trade surplus held by the UK



## 2.2 Data and methods

The data used in this report is derived from Statistics Netherlands (CBS), Her Majesty's Revenue & Customs (HMRC) Trade Statistics unit and Eurostat. International goods trade is classified in accordance with the United Nation's Standard International Trade Classification (SITC). Goods are classified at a series of levels with between one and five figures. The greater the number of figures, the more detailed the classification. SITC 3 is used to describe the trade in various types of goods from a Dutch perspective (section 2.3) and to compare the two countries' exports (section 2.5). SITC 1 and SITC 2 are used to describe the goods trade from a UK perspective (section 2.4).

Bilateral trade from a Dutch perspective is described using figures from CBS to the end of 2016. The description of exports from a UK perspective uses regional trade statistics based on SITC 1 (one figure) and SITC 2 (two figures) for 1999–2015.

The regional classification is based on the EU's Nomenclature of Territorial Units for Statistics (NUTS) 1 level. Scotland, Wales and Northern Ireland are NUTS 1 regions as well as being countries. England is divided into several NUTS 1 regions. The data is presented in pounds sterling and translated into euros at exchange rates provided by the Dutch central bank. Where trade cannot be allocated to a specific region, the source or destination is classified as 'unknown'. The destination region of 10% of the UK's imports from the Netherlands is unknown and the source region of nearly 25% of the UK's exports to the Netherlands is unknown. These figures are therefore not included in section 2.4's analysis of regional differences. To underline the differences in the data used, section 2.4 refers to *UK imports from the Netherlands* rather than *exports from the Netherlands to the UK*.

It is important to understand that goods traded between a UK region and the Netherlands need not originate from that region or have that region as their final destination. Goods from the Netherlands shipped to Hull (Yorkshire and the Humber), for example, might be forwarded by road to Manchester or Liverpool (North East). The use of different data sources gives rise to differences in the value of trade owing to conceptual differences or different interpretations of specific goods flows.

The final section looks at the Netherlands' relative export specialisation. The data is taken from Eurostat, and CBS where necessary (figures on exports of goods made in the Netherlands). An export specialisation is expressed by means of the Balassa index. This index measures a good's share in the total exports of one country in comparison with its share in the exports of a reference country or countries (Balassa, 1965). If the Netherlands is compared with the EU, for comparative purposes it cannot be included in the EU reference group. If the Balassa index for a good is greater than 1, the country concerned is said to be specialised in the export of that good relative to the reference country. The good has a disproportionate share in the country's exports in comparison with its share in other countries' exports. This specialisation is known as the revealed comparative advantage. A Balassa index of less than 1 indicates that a country does not specialise in a particular good relative to the reference countries, even if the product accounts for a considerable proportion of its exports. Furthermore, a high Balassa index by itself is not hard evidence of a comparative advantage. A country may export a lot of a particular good simply because it has done so for centuries. This does not necessarily mean that it has a major comparative advantage in relation to that product.

## 2.3 Goods trade with the United Kingdom from a Dutch perspective

The value of Dutch imports from and exports to the UK has increased sharply in the past 20 years (see figure 2.3.1). Because exports have risen considerably faster than imports, the trade surplus has increased from €1.1 billion in 1996 to a record €17.8 billion in 2016. The trade surplus is underpinned by exports of Dutch products such as flowers, plants, vegetables and meat, and by goods that are re-exported (for example telephones, computers, office machines and organic compounds).

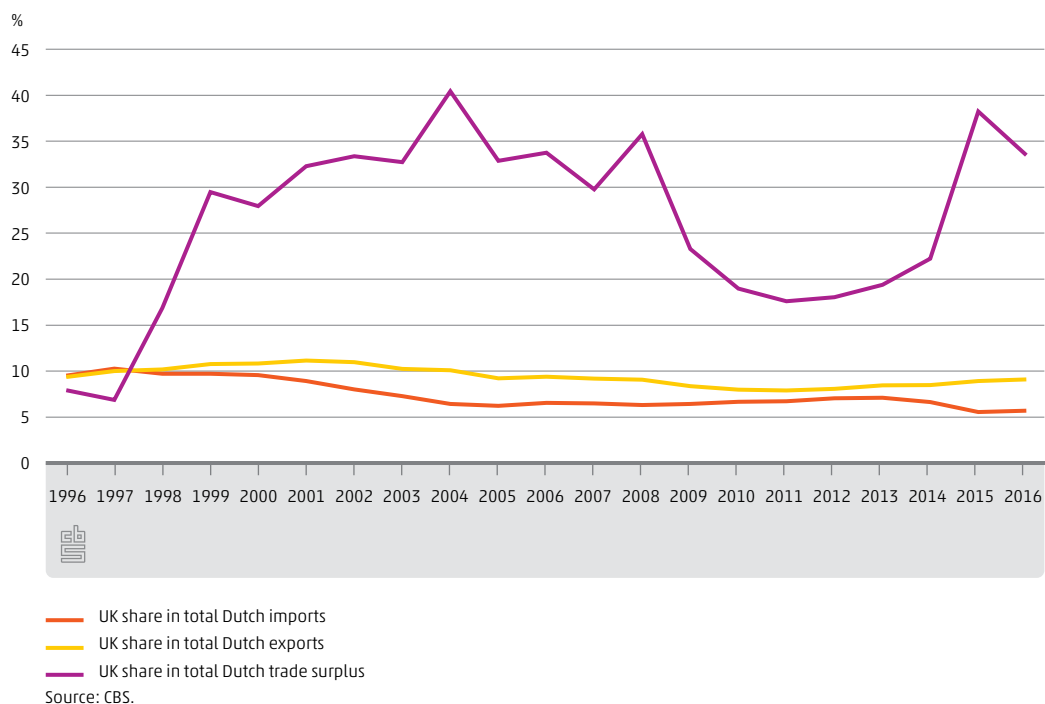
### 2.3.1 Developments in value of goods trade with UK, 1996-2016



Globalisation is boosting world trade, but since inflation increases the nominal value of the same volume of traded goods, the apparent growth needs to be put in perspective. This can be done by considering Dutch trade with the UK as a percentage of total Dutch goods trade. Figure 2.3.2 shows that imports from the UK have become less important (down from 9.5% to 5.7% in the past 20 years) and exports to the UK have remained reasonably stable at just over 9%. The UK has accounted for a substantial proportion of the Dutch trade surplus for many years

and, after dipping slightly, was as high as 33.5% in 2016. This high proportion should be put in perspective, though, because the Netherlands has a trade deficit with a third of all countries in the world rather than a trade surplus.

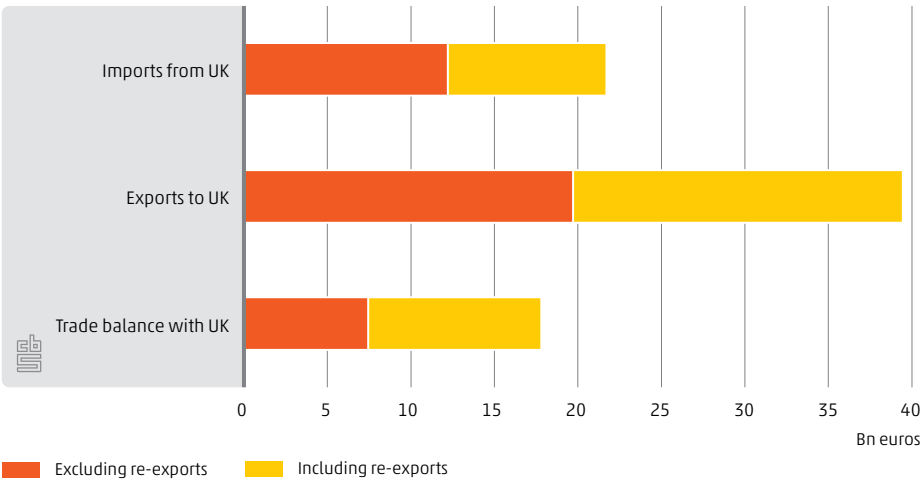
### 2.3.2 Development of UK share in total Dutch trade value, 1996-2016



The high proportion is also due in large part to re-exports. Without re-exports, the UK would account for just 23.8% of the Dutch goods trade surplus, instead of 33.5%. Re-exports are more important in the trade with the UK than in the trade with the rest of the world. After adjustment for re-exports, the trade surplus with the UK is considerably lower, €7.5 billion instead of €17.8 billion (see figure 2.3.3). The Netherlands' key role in the distribution of goods from Asia and elsewhere means far more imported goods are re-exported to the UK than are imported from the UK to be re-exported.

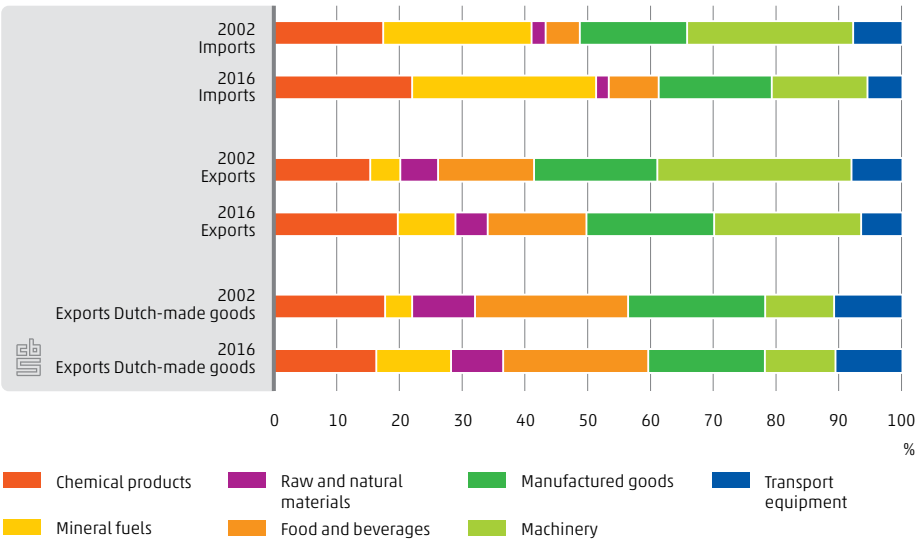
Re-exported imports from the UK are goods imported from the UK that are not sold in the Netherlands but forwarded to other countries. A considerable proportion of Dutch exports is not made in the Netherlands but is imported from other countries. Re-exports therefore influence the imports from and exports to the UK and have a twofold impact on the balance of trade. The 'net balance of trade' is the balance of exports that are made in the Netherlands and goods that are imported to the Netherlands and sold on the Dutch market.

### 2.3.3 Trade balance with the UK, including and excluding re-exports, 2016



Source: CBS.

### 2.3.4 Composition of Dutch goods trade with the UK, 2016



Source: CBS.

Dutch imports from the UK are dominated by mineral fuels such as crude petroleum (see figure 2.3.4). About 70% of these imports are destined for the Dutch market. In comparison with 2002, relatively less machinery and fewer vehicles were imported in 2016. Machinery represents the largest single group of exports to the UK. Less was exported in 2016 than in 2002 and much of it was re-exported. This can be seen from the composition of exports made in the Netherlands. After



adjustment for re-exports, the proportion of food and beverages is far higher. Nearly a third of the exported goods made in the Netherlands are food and beverages. This proportion is slightly lower than in 2002.

To shed light on the main types of goods traded with the UK, table 2.3.5 shows, for the years 2002 and 2016, the top 10 categories of imports from the UK, exports to the UK, and exports to the UK that were made in the Netherlands. The year 2002 has been chosen because it was the first year in which data was kept on exports made in the Netherlands.

### 2.3.5 Top 10 products in goods traded with the UK

Imports from UK, 2002		Mln euros	Imports from UK, 2016		Mln euros
1	Crude petroleum	2,140	1	Crude petroleum	2,692
2	Computers	1,210	2	Petroleum products	2,325
3	Medicaments	909	3	Medicaments	1,583
4	Petroleum products	759	4	Medicinal and pharmaceutical products	1,005
5	Motor cars	730	5	Telephones, telecommunications	524
6	Computer components, office machines	685	6	Motor cars	431
7	Telephones, telecommunications	535	7	Footwear	302
8	Yarns	249	8	Nitrogen compounds	295
9	Television sets	213	9	Office machines	290
10	Non-gaseous hydrocarbons	211	10	Photographic equipment	269
Exports to UK, 2002			Exports to UK, 2016		
1	Computers	2,771	1	Telephones, telecommunications	2,904
2	Computer components, office machines	1,364	2	Petroleum products	2,434
3	Flowers and plants	1,107	3	Medical and pharmaceutical products	1,462
4	Electron tubes, transistors	705	4	Medicaments	1,218
5	Motor cars	665	5	Flowers and plants	1,176
6	Medicaments	659	6	Office machines	1,111
7	Fresh vegetables	648	7	Organic compounds	1,106
8	Petroleum products	612	8	Computers	943
9	Meat (excluding beef)	563	9	Fresh vegetables	840
10	Telephones, telecommunications	554	10	Meat (excluding beef)	807
Exports Dutch-made products, 2002			Exports Dutch-made products, 2016		
1	Flowers and plants	1,049	1	Petroleum products	1,371
2	Fresh vegetables	536	2	Flowers and plants	1,113
3	Trucks, cranes, auxiliary vehicles	486	3	Fresh vegetables	723
4	Meat (excluding beef)	458	4	Special-purpose vehicles	701
5	Petroleum products	389	5	Meat (excluding beef)	677
6	Processed meat	382	6	Trucks, cranes, auxiliary vehicles	568
7	Processed vegetables	341	7	Medicaments	423
8	Paper and cardboard	333	8	Processed vegetables	365
9	Motor cars	311	9	Processed foods	355
10	Special-purpose vehicles	256	10	Motor cars	338

Source: CBS.

Natural gas is not included in import and export rankings because exact values are confidential.

Traditional imports from the UK include crude petroleum and petroleum products, motor cars and telephones. Goods imported for the Dutch market are not considered in greater detail here. In 2016, they included crude petroleum, medicaments, piston engines and whisky.

Owing to the large flow of re-exported goods, listing goods only by the total value of exports to the UK distorts the picture. Typical re-exports are telephones, pharmaceutical products, office machines and computers. The main exports that are made in the Netherlands are petroleum products, flowers and plants, vegetables, special-purpose vehicles (for example buses) and meat. These were also among the main exports made in the Netherlands in 2002.

Table 2.3.6 shows the goods with the highest share in Dutch exports to the UK. Including goods that are re-exported, the most important goods (based on a lower limit of €10 million) are organic compounds (47% exported to the UK), processed meat (42%), electric current (40%), and coke and semi-coke (27%)<sup>1)</sup>.

### 2.3.6 Dutch export goods traded mainly with the UK, 2016

		Total exports	Exports to UK	Share UK
		Million euros		%
1	Organic compounds	2,330	1,106	47
2	Processed meat	728	306	42
3	Electric current	708	282	40
4	Coke and semi-coke	49	13	27
5	Floor covering, tablecloths	1,126	276	25
6	Recording equipment	397	91	23
7	Non-ferrous base metals	150	32	21
8	Non-alcoholic beverages	1,334	276	21
9	Trucks, cranes, auxiliary vehicles	3,214	662	21
10	Knitted menswear	578	117	20

Source: CBS.

Lower limit value of exports to the UK is 10 million euros.

The ranking is different if only exports made in the Netherlands are considered, for example if re-exports are excluded. Organic compounds are no longer in the top 10, and coke and semi-coke head the list (53% of exports made in the Netherlands). Sound and video recording apparatus, non-ferrous base metals<sup>2)</sup>

<sup>1)</sup> Coke is produced by distillation of coal to drive off impurities and obtain a cleaner fuel.

<sup>2)</sup> Metals that contain little if any iron and oxidise relatively easily.

and men's apparel are also no longer in the top 10. They are replaced with iron and steel products, wood simply worked, clay or refractory construction materials and mineral manufactures. In total, 8% of Dutch exports that are made in the Netherlands are exported to the UK.

### 2.3.7 Dutch-made goods traded mainly with the UK, 2016

	Total exports Dutch-made goods	Exports Dutch- made goods to UK	Share UK
	Million euros		%
1 Coke and semi-coke	24	13	53
2 Processed meat	708	305	43
3 Electric current	708	282	40
4 Iron and steel tubes, profiles	1,064	292	27
5 Floor covering and tablecloths	902	241	27
6 Non-alcoholic beverages	922	217	24
7 Wood simply worked	169	34	20
8 Clay or refractory construction materials	228	45	20
9 Trucks, cranes, auxiliary vehicles	2,877	568	20
10 Mineral manufactures	726	125	17

Source: CBS.

Lower limit value of Dutch-made goods exports to the UK is 10 million euros.

Several important product groups that are made in the Netherlands account for only a very small proportion of Dutch exports to the UK. They include aircraft, specialised microchip machinery (both 1% exported to the UK), non-gaseous hydrocarbons (2%), ships, live animals and butter (3%).

### 2.3.8 Dutch-made goods traded least often with the UK, 2016

	Total exports Dutch-made goods	Dutch-made goods exported to the UK	Share UK
	Million euros		%
1 Aircraft	1,574	20	1.2
2 Specialised (microchip) machinery	8,399	118	1.4
3 Non-gaseous hydrocarbons	4,006	86	2.1
4 Ships and boats	4,060	105	2.6
5 Live animals	1,746	49	2.8
6 Butter	703	20	2.9
7 Electro-medical equipment	1,027	31	3.0
8 Various manufactured products	1,484	45	3.1
9 Flat iron products (not covered)	1,191	37	3.1
10 Yarns	716	22	3.1

Source: CBS.

Lower limit value of Dutch-made goods exports to UK is 10 million euros.

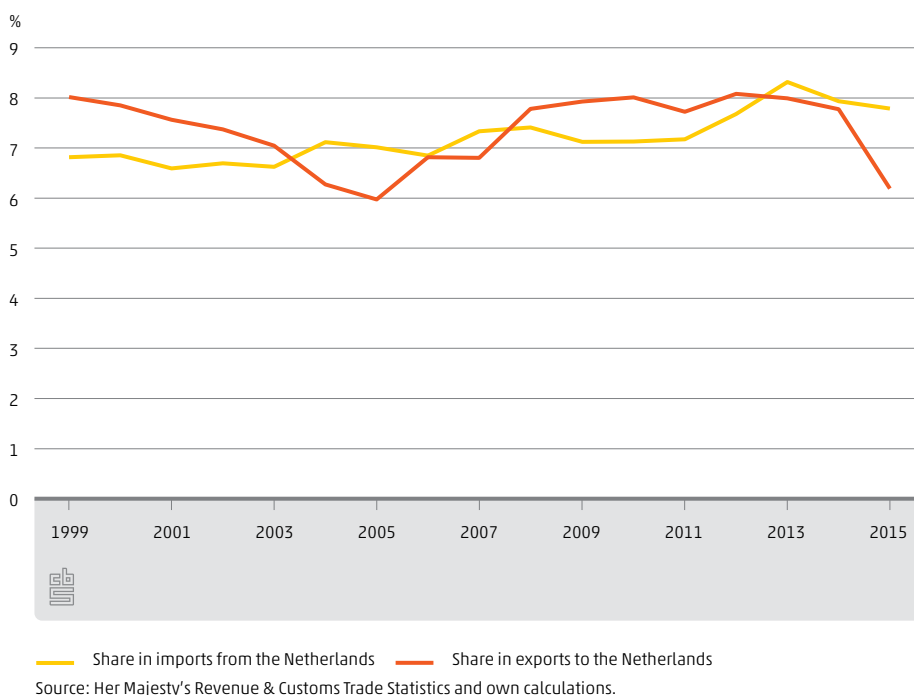
## 2.4 Goods trade with the Netherlands from a UK perspective

This section looks at trade with the Netherlands from a UK perspective. It considers the Netherlands' share in the UK's international trade and the regional source and destination of goods traded between the UK and the Netherlands.

### The Netherlands' share in the UK's international trade

The Netherlands' share in UK imports has increased in recent years. For many years it had fluctuated at just under 7% but it began to rise in 2011, reaching 7.6% in 2015 with a peak of 8.3% in 2013 (see figure 2.4.1). There have been even bigger swings in the Netherlands' position as a destination for UK exports. Until 2005, its share fell from about 8% to less than 6%. It then rose again to about 8% but fell sharply to just over 6% in 2015. During the crisis, the Netherlands was apparently a stable factor for UK exports.

#### 2.4.1 Dutch share in UK imports and exports, 1999-2015



Several trends can be seen in the regional figures. The Netherlands' share in the imports from and exports to half the regions has remained roughly the same. Over the years, however, the Netherlands has become much more important to the North East region as a destination for exports than as a source of imports. The trend for East Midlands, by contrast, is in the opposite direction, although the difference between the percentage of imports and exports is smaller.

The Netherlands has become increasingly important as a source of goods for the Northern Ireland, South West and Yorkshire and the Humber regions. Its share in exports from Northern Ireland and South West England has declined.



**6%** share in UK imports from the Netherlands held by Scotland, Wales and N Ireland

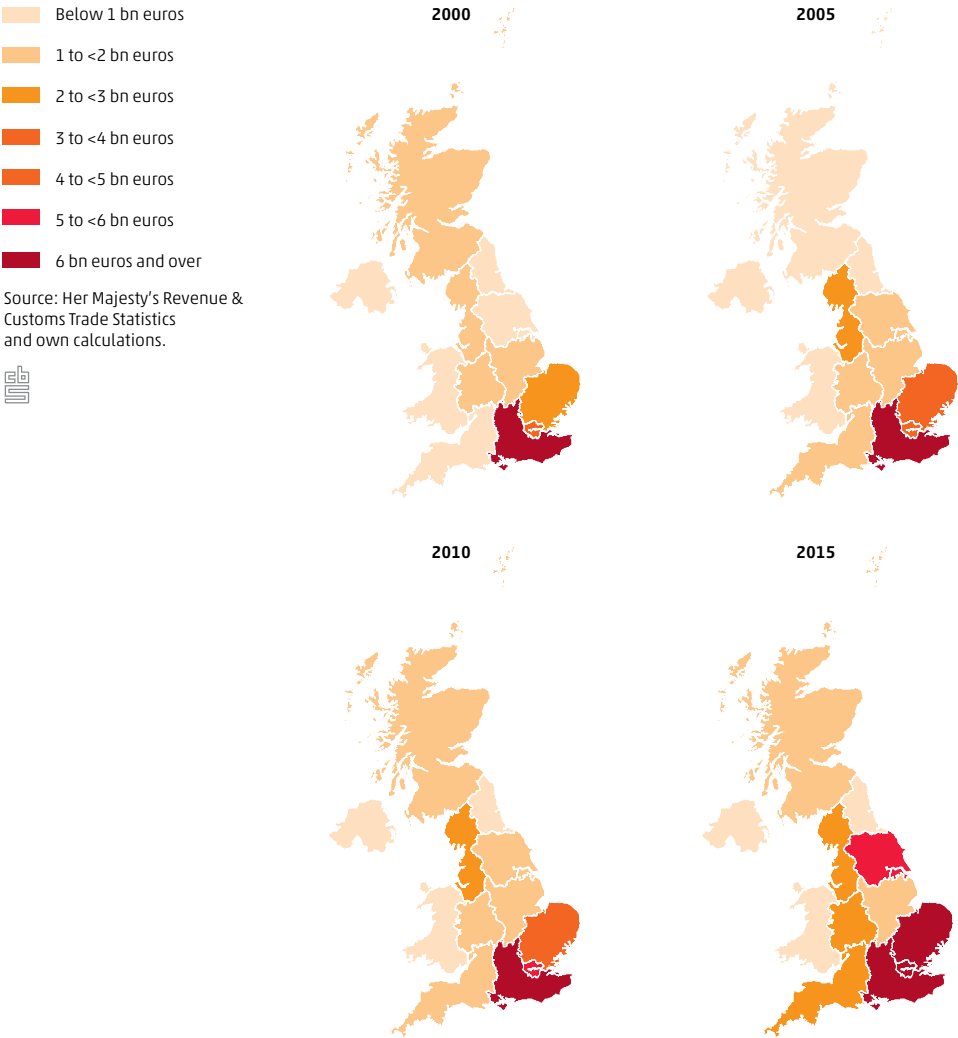
### **Imports, exports and balance of trade by region**

The regions in the southeast corner of the UK are the most important for Dutch imports and exports. This does not mean that they are also the most important final destinations. Given their proximity to the Netherlands and their large ports, it is not surprising that goods enter and leave the UK there. Some of the goods that enter the southeast may be transported to the west and north.

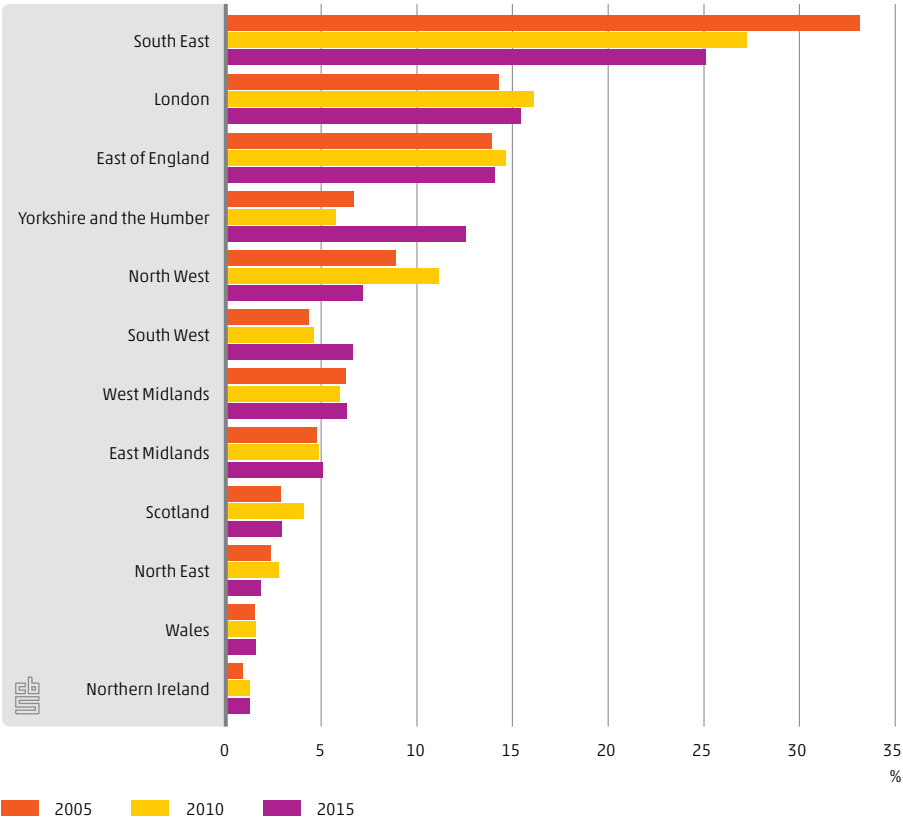
In 2015 about a quarter of imports from the Netherlands entered the UK via the South East region. However, this region's significance has declined in recent years. In 2005 it had been the entry point for a third of Dutch exports to the UK. The proportion imported into Yorkshire and the Humber in particular has grown in importance during this period. The South East's proportion has fallen sharply but the value of imports from the Netherlands into this region has increased to nearly €10 billion. Yorkshire and the Humber's imports from the Netherlands have risen sharply in the last few years. They had been steadily increasing for a long time, then accelerated in 2012 and have now nearly doubled to almost €5 billion. UK imports from the Netherlands are concentrated in the regions that

are geographically close to the Netherlands. More than half the imports from the Netherlands in 2015 were shipped to one of the three regions in the southeast (East of England, London and South East). These three regions are the closest to the Netherlands and are also the economic hub of the UK. This is consistent with earlier economic studies which found that the main factors determining the volume of trade between countries are the size and proximity of their economies (for example Disdier & Head, 2008; Krugman et al., 2015; Ramaekers & De Wit, 2012; Ramaekers & Voncken, 2016). The aggregate gross regional product of these regions is equal to nearly half the gross national product of the UK, as shown by the infographic on page 9.

**2.4.2 Volume of UK imports to the Netherlands by region, 2000, 2005, 2010, 2015**



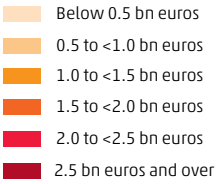
### 2.4.3 Breakdown of UK imports to the Netherlands by region, 2005, 2010, 2015



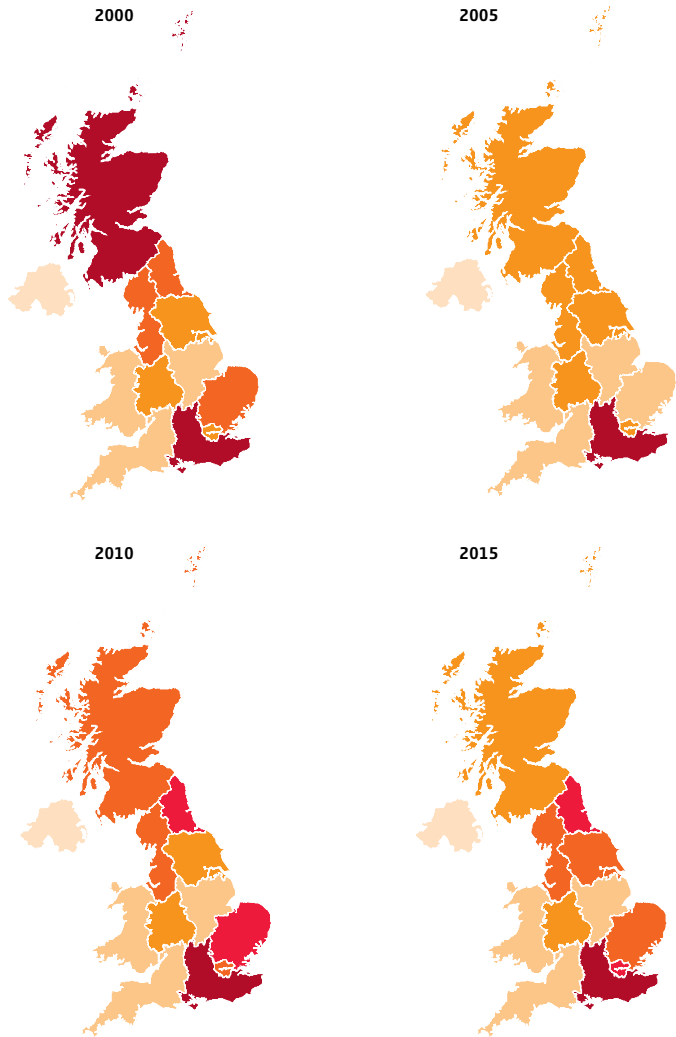
Source: Her Majesty's Revenue & Customs Trade Statistics and own calculations.

The South East is also the most important region for UK exports to the Netherlands. In 2015, it accounted for nearly 16% of the total. As with the imports, however, its importance has declined over the years. In 2005 it accounted for 22%. Most regions show a slowly rising or constant trend. Scotland is an exception. In 2000 it exported goods worth nearly €6 billion to the Netherlands; by 2015 this figure had fallen to €1.3 billion. The biggest fall took place between 2000 and 2003, when exports to the Netherlands slid from €5.8 billion to €1.7 billion. The decline was due entirely to the near-elimination of office machines from Scotland's exports (probably re-exports).

2.4.4 Volume of UK exports to the Netherlands by region, 2000, 2005, 2010, 2015

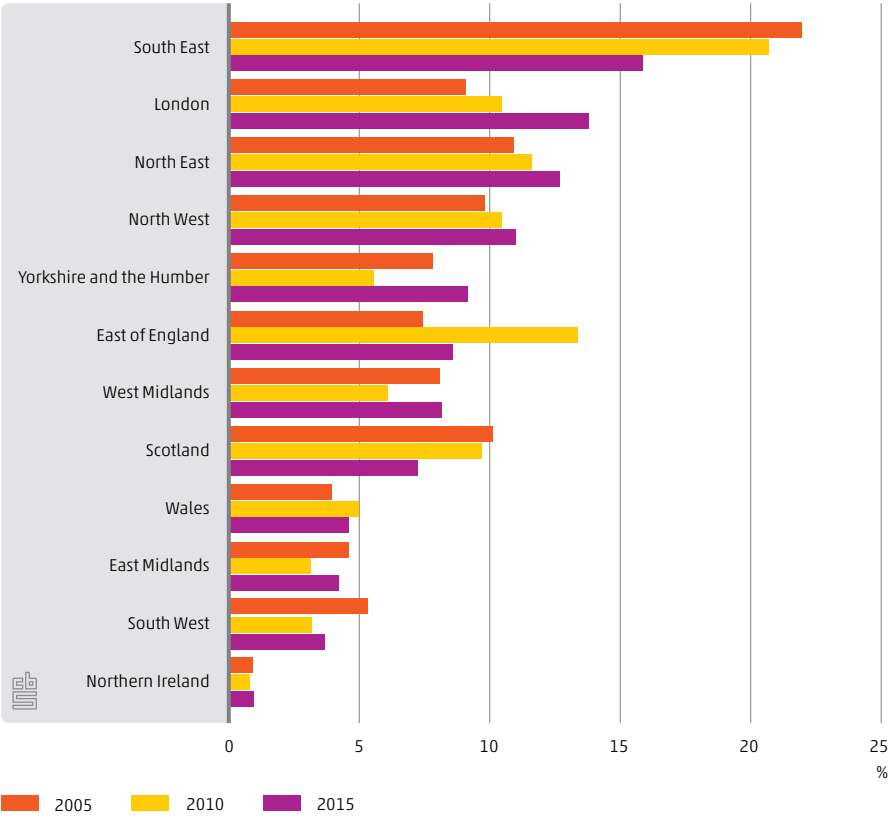


Source: Her Majesty's Revenue & Customs Trade Statistics and own calculations.





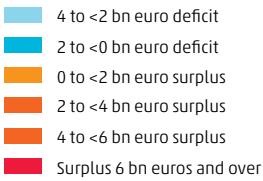
### 2.4.5 Breakdown of UK exports to the Netherlands by region, 2005, 2010, 2015



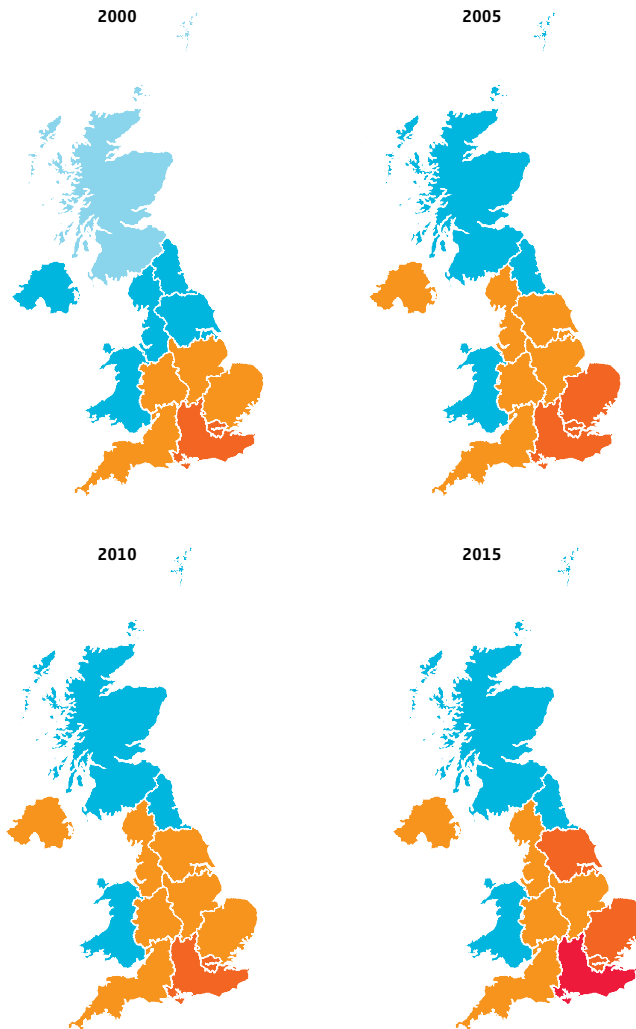
Source: Her Majesty's Revenue & Customs Trade Statistics and own calculations.

These changes in exports to and imports from the UK are reflected in the balance of trade. As noted in the previous section, the Netherlands' trade surplus with the UK has grown substantially in recent decades, chiefly as a result of the relative decline in Dutch imports from the UK. The UK trade deficit with the Netherlands mirrors the trend in the UK's international trade as a whole. The UK's global goods trade deficit totals more than €164 billion. The total deficit on the UK's balance of trade has increased by about 50% since 2010 (€113 billion) and has nearly trebled since 2000 (€56 billion).

**2.4.6 Dutch balance of trade with the UK by region, 2000, 2005, 2010, 2015**



Source: Her Majesty's Revenue & Customs Trade Statistics and own calculations.



The increase in the Netherlands' surplus with the UK is also reflected in its balance of trade with individual UK regions (see figure 2.4.6). The Netherlands had a trade deficit with half the regions in 2000 but with only Scotland, North East and Wales in 2015. The sharp drop in exports from Scotland to the Netherlands can also be seen in the balance of trade. The Netherlands' deficit has shrunk from about €4 billion to less than €200 million.

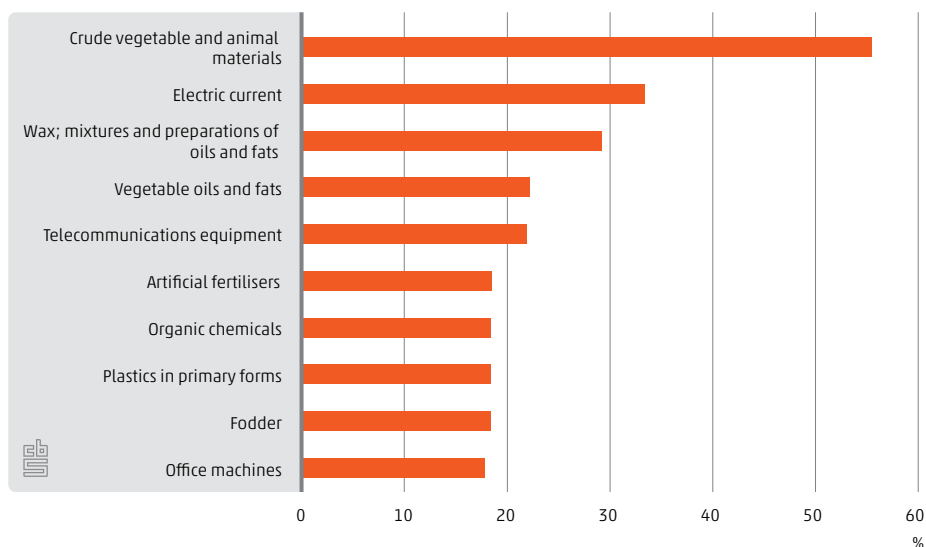
In the other regions, the Dutch deficit has turned into a surplus (North West, Northern Ireland and Yorkshire and the Humber) or its existing surplus has increased. The South East region made the largest contribution to the trade surplus. After dipping to a low of €2.7 billion in 2009, the trade surplus with this region more than doubled to over €6.7 billion in 2015. The jump in Yorkshire and the Humber's imports from the Netherlands in recent years increased the Dutch trade surplus with that region to more than €3.1 billion in 2015. The trade surplus with the East of England region has also grown strongly in recent years, from about €1 billion to nearly €4 billion. The trade surplus with East Midlands, Northern Ireland and Wales and the trade deficit with the North East have remained fairly stable over the years.

## Main products

This section has so far focused on developments in trade as a whole between the UK and the Netherlands. We will now look at individual product categories. Section 2.3 explained the most important product groups exported from the Netherlands to the UK at SITC 3 level. Unfortunately, the UK data does not allow such a regional breakdown of the main export groups to the Netherlands.

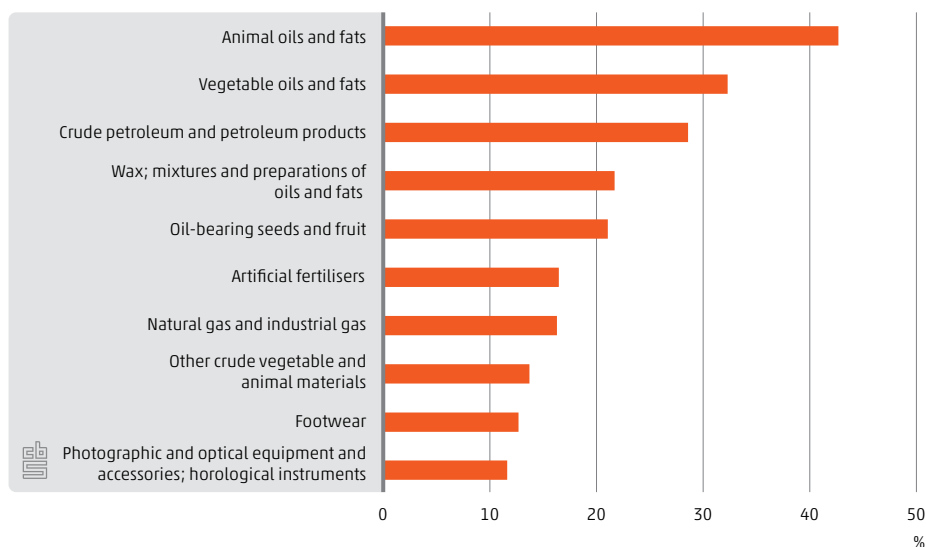
Section 2.3 analysed the most important goods by value of exports. However, it is also interesting to look at the Netherlands' importance as a source of the imports and as a destination for UK exports. Figure 2.4.7 shows the product groups in which the Netherlands accounts for a large share of the UK's imports and is thus an important supplier. Since the Netherlands is a major international source of agricultural products (CBS, 2016c; Ramaekers, 2016), it comes as no surprise that the top 10 goods in which the Netherlands accounts for a large share of UK imports is headed by an agricultural product group. More than 55% of the crude vegetable and animal materials entering the UK are imported from the Netherlands. Numbers three, four and 10 are also agribusiness products. If electric current (the Netherlands' second largest share) is included, the top four product groups are all predominantly made in the Netherlands. Three chemical product groups (fertilisers, organic chemicals and plastics in primary forms) are also well represented in the top 10.

## 2.4.7 Top 10 UK import goods mainly imported from the Netherlands, 2015



Source: Her Majesty's Revenue & Customs Trade Statistics and own calculations.  
Lower limit in value of UK imports from the Netherlands is 10 million euros.

## 2.4.8 Top 10 UK export goods with the Netherlands as main destination, 2015



Source: Her Majesty's Revenue & Customs Trade Statistics and own calculations.  
Lower limit in value of UK exports to the Netherlands is 10 million euros.

Figure 2.4.8 shows the goods that the UK largely exports to the Netherlands. Here, too, we can see the importance of agricultural products in the Netherlands' international trade. Half of the top 10 goods that are exported disproportionately to the Netherlands are agricultural goods (places 1, 2, 4, 5 and 8). More than 40% of the UK's exports of animal oils and fats, for example, go to the Netherlands.

## **Main products by region**

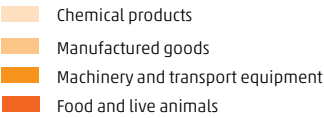
At the highest level of aggregation (SITC 1), the most important category of goods imported from the Netherlands by most of the UK regions (seven out of 12) is machinery and transport equipment (see figure 2.4.9). This category includes road vehicles, telecommunications equipment and office machines. As noted in section 2.3, most of the telecommunications equipment and office machines will have been re-exported. At a deeper level (SITC 2), the West and East Midlands regions import goods from another product category. The most important goods to be imported from the Netherlands at this level are agribusiness products. In three regions, chemicals are the most important goods to be imported from the Netherlands. The main subcategory here is medicinal and pharmaceutical products and organic chemicals. A high proportion of both these product groups is re-exported.

## **Top five imports from the Netherlands by region (volume and share)**

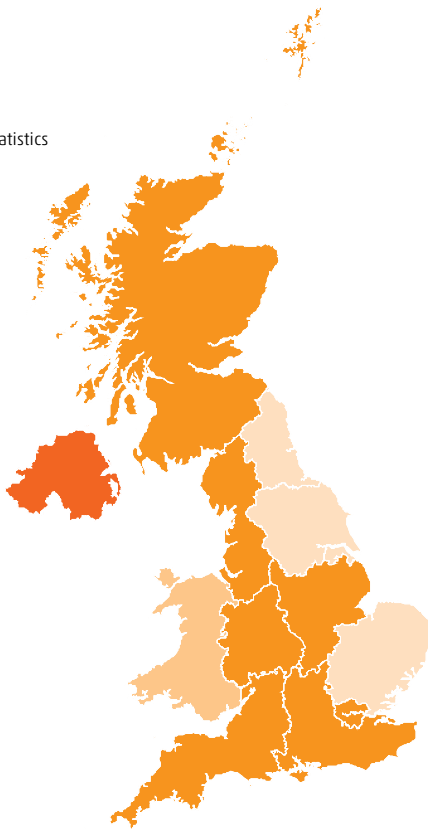
The annex to this chapter presents the top five imports from the Netherlands for each UK region, by value and as a proportion of total Dutch imports. It gives a more nuanced picture of which Dutch products are important UK imports.

Many of the products in which the Netherlands has a disproportionate share in UK imports (see figure 2.4.7) logically appear in the top five for the individual regions. Crude animal and vegetable materials account for a large proportion of national imports, for example, and also feature in the top five of nine of the 12 regions. The Netherlands accounts for more than 60% of the imports of this product group into the East Midlands, London and Yorkshire and the Humber regions.

### 2.4.9 Main product group in UK imports from the Netherlands by region, 2015



Source: Her Majesty's Revenue & Customs Trade Statistics and own calculations.



Fruit and vegetables are an important export group for the Netherlands in terms of value and are among the top five in seven of the 12 regions, but only the North East imports a large proportion of fruit and vegetables from the Netherlands. Although the Netherlands is a major producer of dairy products and eggs (Jaarsma & Walhout, 2016a), these products have a top five listing only in the East Midlands.

The large volume of telecommunications equipment imported from the Netherlands – most of which is re-exports – only represents a large share of Dutch imports in the South West. It is also noteworthy that nearly all the tobacco and tobacco products imported by the East of England and Scotland are imported from the Netherlands.

Other goods that are imported into the UK largely from the Netherlands are medicaments in Yorkshire and the Humber, processed oils and fats and fertilisers

in the West Midlands, processed oils and fats in Scotland, and animal feed and fertilisers in the North East. Further details are provided in the annex.

## 2.5 Comparison of Dutch and British exports

The previous sections looked at trade between the United Kingdom and the Netherlands from both countries' perspectives. It is beyond question that the UK is one of the Netherlands' most important trading partners. But the two countries also have another type of relationship, that of competitor. Businesses from the two countries serve the same markets. The UK's departure from the EU will trigger a complete review of all the UK's trade treaties with both EU and non-EU countries. The extent to which UK businesses retain access to the EU market will be part of the forthcoming Brexit negotiations. The outcome will determine the new relationship between the UK and the EU and thus the 'cost' of international trade to business. The UK's new relationship with the EU and other countries in the world might also lead to new competitive relations, including between Dutch businesses and UK businesses.

This section looks at the UK's and the Netherlands' export specialisations. It first outlines the geographical characteristics, for example the export markets the two countries serve. It then considers the kinds of goods they export and their export specialisations. The Netherlands' total goods exports and, specifically, Dutch exports that are made in the Netherlands are then analysed with the aid of the Balassa index to determine the Netherlands' export specialisation relative to the UK. This provides an insight into the *differences* in the export specialisations of the United Kingdom and the Netherlands.

The export specialisation of both the Netherlands and the United Kingdom in relation to other EU member states is also determined both in the internal EU market and in the rest of the world. We look at the *similarities* in export specialisation: which products account for a relatively large proportion of both the Netherlands' and the UK's exports (in comparison with other EU countries) and how important are those goods in the export mix? These are the goods in which the two countries have a revealed comparative advantage over other EU member states (as measured by the Balassa index).

## Dutch export specialisation relative to the UK, geographical

There are structural differences in the international goods trade of the Netherlands and of the UK. The UK imports more than it exports and has a structural trade deficit. The Netherlands, by contrast, has a structural trade surplus: in 2015 its imports amounted to €463 billion and its exports to €514 billion. International trade accounts for a larger percentage of the economy in the Netherlands than in the UK.

Figure 2.5.1 clearly shows that the Netherlands imports more from outside the EU than it exports outside the EU (and therefore has a trade deficit with non-EU countries) but this is more than offset by exports being far higher than imports within the EU. The Netherlands is principally a supplier to the EU and exports a great deal of its imports to the rest of the EU.

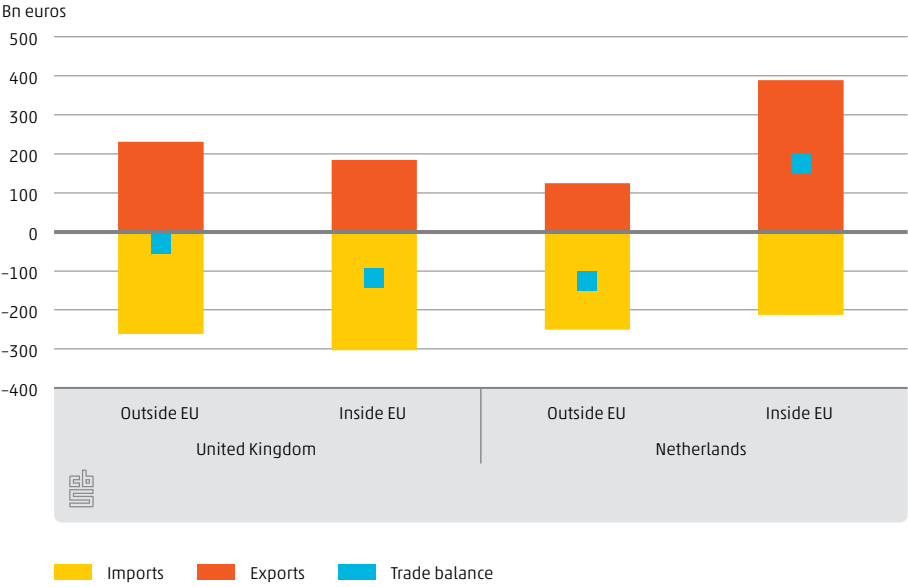
In comparison with the Netherlands, the UK concentrates less on the EU and more on the rest of the world. The UK imports considerably more from the EU than it exports to it. The balance of trade with the rest of the world is more evenly balanced. Imports are only slightly higher than exports.

More than 75% of Dutch exports are sold in the EU (see figure 2.5.2). Germany is the most important partner, receiving more than 24%, nearly as much as the Netherlands' total goods exports to non-EU countries. The Netherlands' top five export destinations in the EU are Germany, Belgium, the UK, France and Italy. The most important export destination outside the EU is the United States, but it is relatively small, accounting for less than 4% of goods exports.

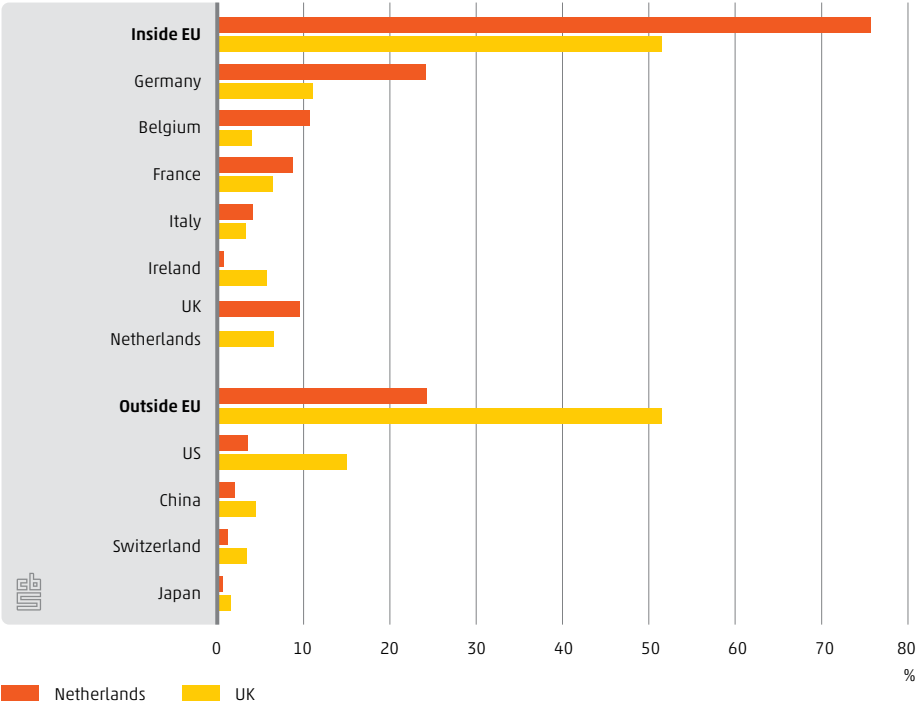
The UK's goods exports are more evenly distributed. Just over half go to countries outside the EU. The most important destination is the United States, which receives 15% of the UK's exports. The other countries in the top five are all EU member states (Germany, the Netherlands, France and Ireland) but their share of the UK's exports is slightly smaller than their share of the Netherlands' exports.



### 2.5.1 International trade of the Netherlands and the UK compared, 2015



### 2.5.2 Share in export package by destination, January-October 2016

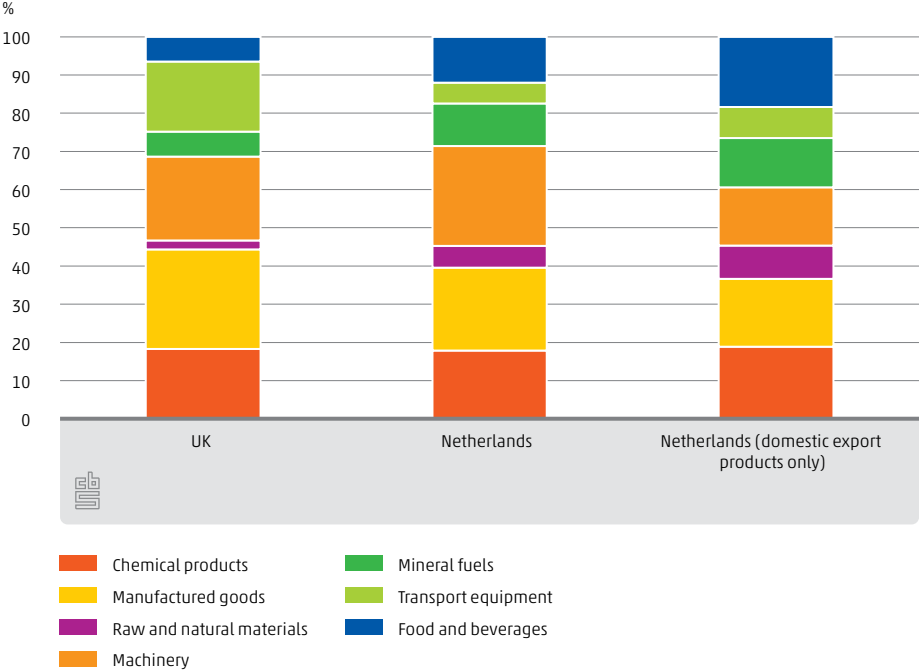


## Dutch export specialisation relative to the UK, by product

There are obviously differences between the UK's and the Netherlands' exports. The main differences in the product groups are revealed by the SITC classification. The Netherlands exports relatively more food and beverages. This product group makes up 12% of all Dutch exports but only 6% of UK exports. Mineral fuels and machinery also represent a larger share of Dutch exports than UK exports.

Machinery, transport equipment and manufactured goods are the UK's main export product groups. They account for two-thirds of its exports but slightly more than half of the Netherlands' exports of goods. Chemicals account for about 20% of both countries' exports.

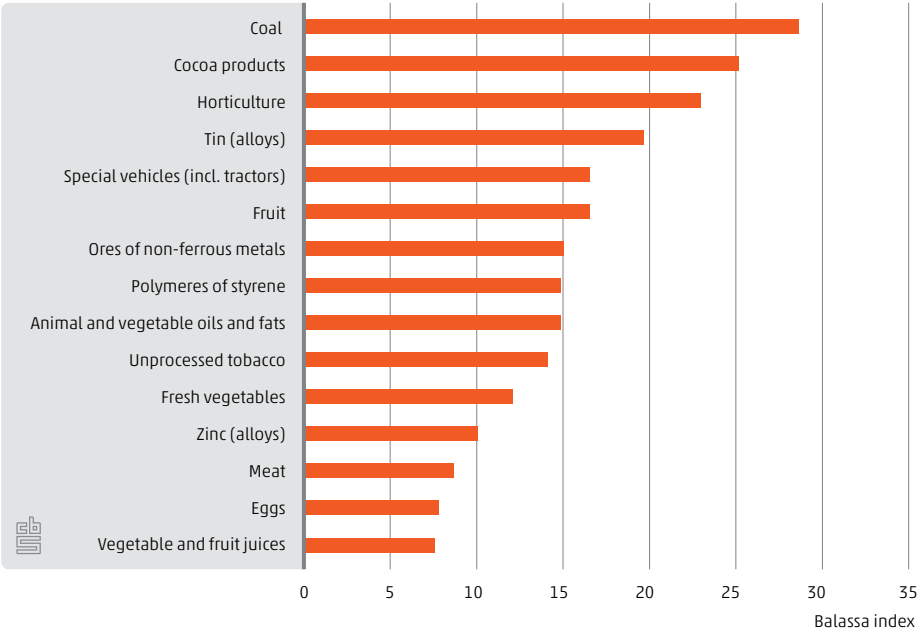
### 2.5.3 Composition of Dutch and British exports, January-October 2016



Dutch exports can be divided into goods that are made in the Netherlands, goods that are re-exported (goods that have been imported, undergone minor processing and then exported again) and quasi-transit goods (goods that have been imported by non-Dutch residents and then exported to other countries). Export of goods

made in the Netherlands are worth far more to the economy than goods that are re-exported: 57 cents per exported euro versus 11 cents (CBS, 2016d). If only goods made in the Netherlands are considered, the differences between the Netherlands and the UK are even greater. Agricultural products (food, beverages, crude materials and natural products) are more important, and the share of machinery and manufactured goods is lower.

### 2.5.4 Top 15 Dutch-made specialised products relative to the UK, Jan-Oct 2016

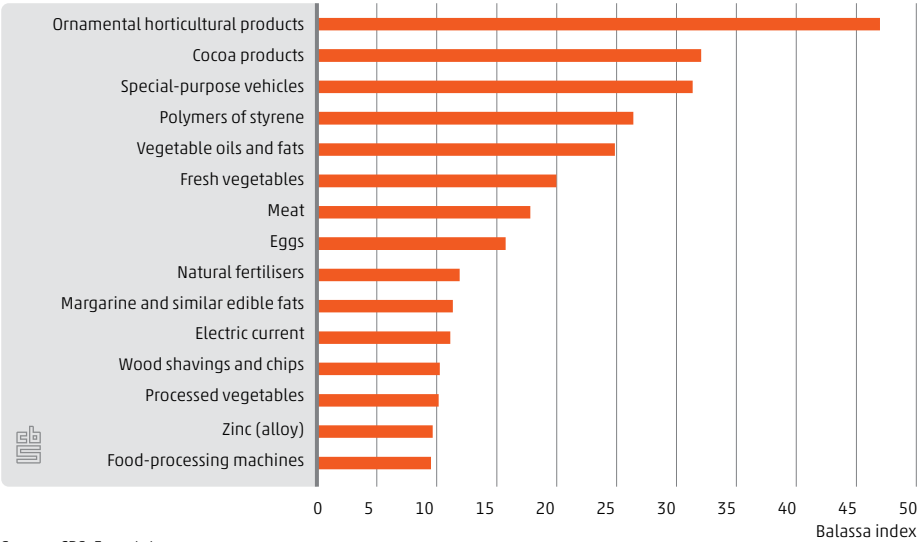


We calculated the share of each product group (SITC 3 classification), for goods with an export value of more than €10 million per year, in total Dutch goods exports and in total UK exports. Dividing the Dutch share by the UK share produces the Balassa index for each good. We ranked the product groups from high to low. Figure 2.5.4 shows the 15 products with the highest Balassa index.

This top 15 consists chiefly of agricultural and horticultural products and foodstuffs: cocoa products, plants and flowers, fruit, meat, eggs, vegetables, vegetable juices and fruit juices. This reflects the relatively large share of these products in total Dutch exports. The product in which the Netherlands is the most specialised relative to the UK is coal. The top 15 includes other crude and processed materials. The Netherlands also exports many buses and road tractors in comparison with the UK.

The Netherlands exports a lot of coal relative to the UK. Coal, however, is typically imported by the Netherlands and then re-exported. The Netherlands is a stronger exporter of coal than the UK but, as noted above, the country earns relatively little on re-exported goods. As exports of products made in the Netherlands add considerably more value to the Dutch economy, the Balassa index has also been calculated for products made in the Netherlands (see figure 2.5.5).

### 2.5.5 Top 15 specialisations relative to the UK, export of Dutch-made products only, January - October 2016



After adjustment for transit flows, the Netherlands has the greatest specialisation relative to the UK in ornamental horticultural products (such as flowers, plants, flower bulbs and tree nursery products). As well as in food products, crude materials and semi-finished products, the Netherlands is specialised relative to the UK in exports of electric current, wood in chips and food-processing machines.

### Similarities in the export specialisations of the Netherlands and the UK

So far we have looked at the main differences in the exports of the Netherlands and the United Kingdom by considering the Netherlands' export specialisation relative to the UK. Two other methods of measuring the competitiveness of Dutch

and UK goods exports are considered below. The first is based on the Balassa index again and compares the 15 products with the highest Balassa indexes of both the Netherlands and the UK with those of the EU.

Table 2.5.6 shows that an initial comparison of the Netherlands with the UK (using the EU as a reference group) reveals only one similarity. Both the Netherlands and the UK specialise in crude petroleum. There are two similarities specifically in respect of the EU market. The two countries also specialise in nickel as well as in crude petroleum. There are no similarities in the Netherlands' and UK's exports to non-EU countries in the top 15.

Stripping re-exports and quasi-transit out of total Dutch exports produces a more relevant picture. It removes crude petroleum and nickel from the Dutch list and there are consequently even fewer similarities with the UK. The only similarity at an aggregate level comprises radioactive and associated materials.

## 2.5.6 Netherlands' similarities with UK, based on Balassa index top 15, January - October 2016

	All destinations	EU destinations	Non-EU destinations
Netherlands vs UK (Netherlands incl. transit and re-exports)	1 similarity	2 similarities	0 similarities
Netherlands vs UK (Netherlands excl. transit and re-exports)	1 similarity	0 similarities	0 similarities

A second method to measure the competitiveness of Dutch exports against UK exports is to analyse the two countries' top 15 export product groups. The Netherlands' similarities with the rest of the EU were calculated to serve as a control group. Including transit flows, the Netherlands has five similarities with the UK (motor cars, medicaments, petroleum products, crude petroleum and telephones) but has more similarities (six) with the rest of the EU (the above products with the exception of crude petroleum, plus manufactures of base metal and specialised machinery such as microchip machines). The number of similarities with the EU and non-EU regions is higher. In the EU region, the UK has more similarities with the EU region and outside the EU the Netherlands has more similarities with the EU.

### 2.5.7 Netherlands' similarities with UK and rest of EU based on top 15 export product groups, January - October 2016

	All destinations	EU destinations	Non-EU destinations
Netherlands vs UK (Netherlands incl. transit and re-exports)	5 similarities	8 similarities	6 similarities
Netherlands vs UK (Netherlands excl. transit and re-exports)	6 similarities	6 similarities	7 similarities

Without transit flows, there are again fewer similarities with the UK. There are also fewer if the Netherlands is compared with the other EU member states. As in the previous comparison, there are slightly more competitive goods in comparison with the EU than in comparison with the UK. The Netherlands has three similarities with the EU (medicaments, petroleum products and specialised machinery) and two with the UK (no specialised machinery). The picture for the EU and non-EU regions is mixed.

### 2.5.8 Netherlands' similarities with UK and rest of EU, based on top 15 export products, January - October 2016 (Dutch domestic export products only)

	All destinations	EU destinations	Non-EU destinations
Netherlands vs UK (Netherlands incl. transit and re-exports)	2 similarities	3 similarities	2 similarities
Netherlands vs UK (Netherlands excl. transit and re-exports)	3 similarities	2 similarities	3 similarities

## 2.6 Summary and conclusions

The Netherlands and the UK are important trading partners. After Germany and Belgium, the UK is the third most important destination for Dutch exports, and it is the fifth largest source of Dutch imports. The Netherlands has a substantial trade surplus with the UK: €17.8 billion in 2016. After adjustment for re-exports (on both the import and export sides), however, the surplus is far smaller: €7.5 billion. The main goods that the Netherlands exports to the UK are agricultural products such as ornamental horticultural products, vegetables and meat, but also motor vehicles and petroleum products. Some important Dutch export products, by contrast, are

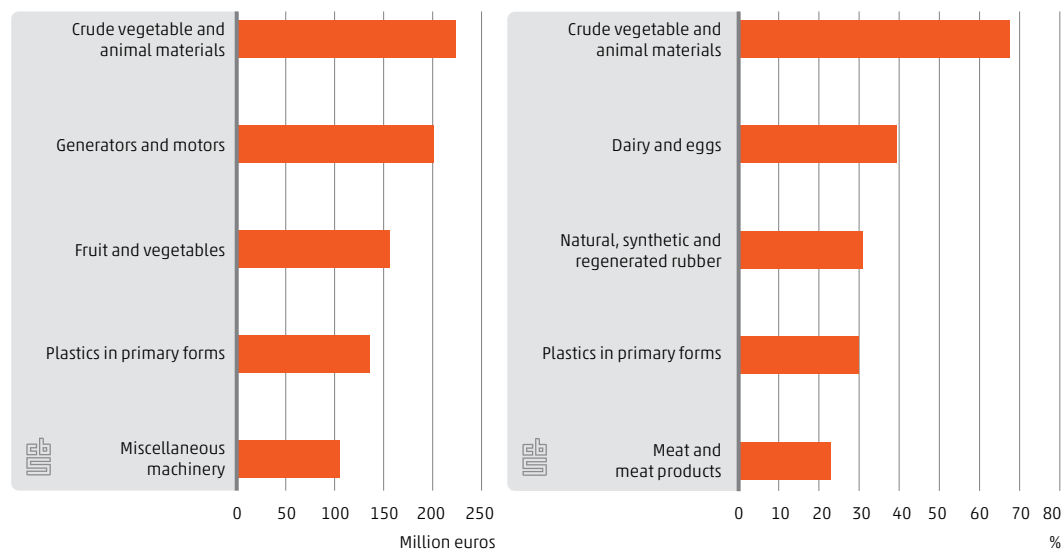
rarely destined for the UK, such as aircraft, microchip machines, hydrocarbons, ships and live animals.

From the UK's perspective, the Netherlands has become a slightly more important source for UK imports. The Netherlands' share of UK exports, however, fell sharply in 2015. By far the most important region in the UK for trade with the Netherlands is South East England, followed by the rest of England. The main reasons for this are its proximity to the Netherlands, the presence of large ports and the fact that it is the most important economic region. Trade with Scotland, Wales and Northern Ireland is only marginal in comparison with trade with England. Less than 6% of Dutch exports to the UK goes to these regions. A larger proportion of the goods imported by the Netherlands from the UK, nearly 13%, comes from Scotland, Wales or Northern Ireland. The Netherlands is the biggest source of UK imports of flowers and plants, electric current, and animal and vegetable fats and oils. It is noteworthy that Scotland's share of UK exports to the Netherlands has fallen sharply since 2000, mainly because of lower exports of office machines, which were probably re-exported from Scotland. Important products exported from the UK to the Netherlands are animal and vegetable fats and oils and petroleum products.

The UK's trade is concentrated far more on countries outside the EU than the Netherlands' trade. There are also significant differences in product groups. The Netherlands is more specialised in exports of agricultural products than the UK, while the UK exports more manufactured goods. In comparison with the UK, the Netherlands is more specialised in coal, cocoa and cocoa products and ornamental horticultural products. Adjustment for transit flows removes coal from the top three. The UK is not a major export competitor of the Netherlands. This can be seen from the two countries' export specialisations relative to other EU member states. Furthermore, the competition between the two countries is far less after adjustment for transit flows through the Netherlands. Outside the EU, moreover, the Netherlands faces less competition from the UK than inside the EU.

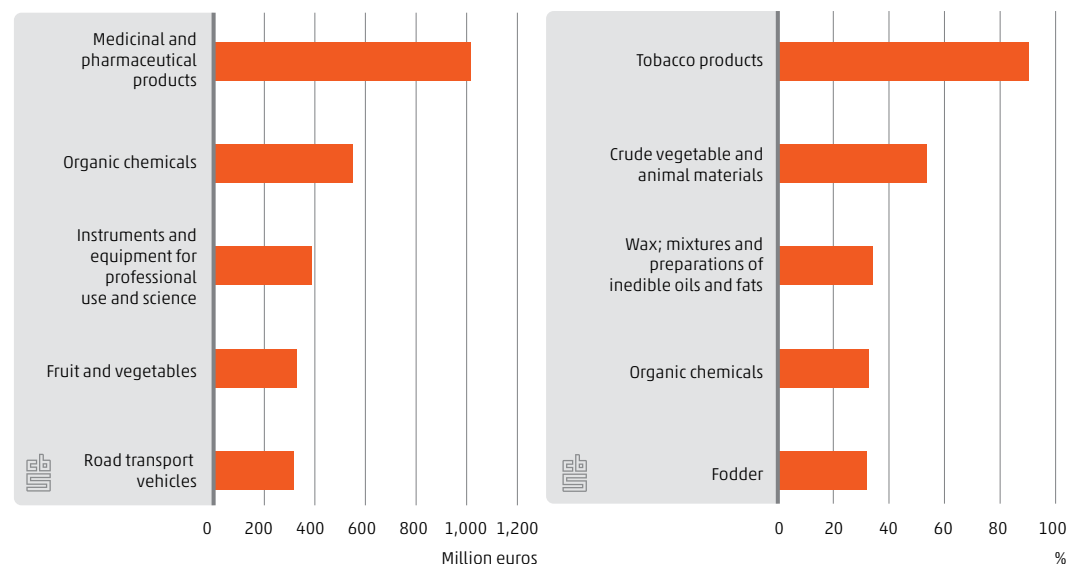
## 2.7 Annex

### 2.7.1 Top 5 products for East Midlands by volume (left axis) and NL share in UK imports (right axis), 2015



Source: Her Majesty's Revenue & Customs Trade Statistics and own calculations.

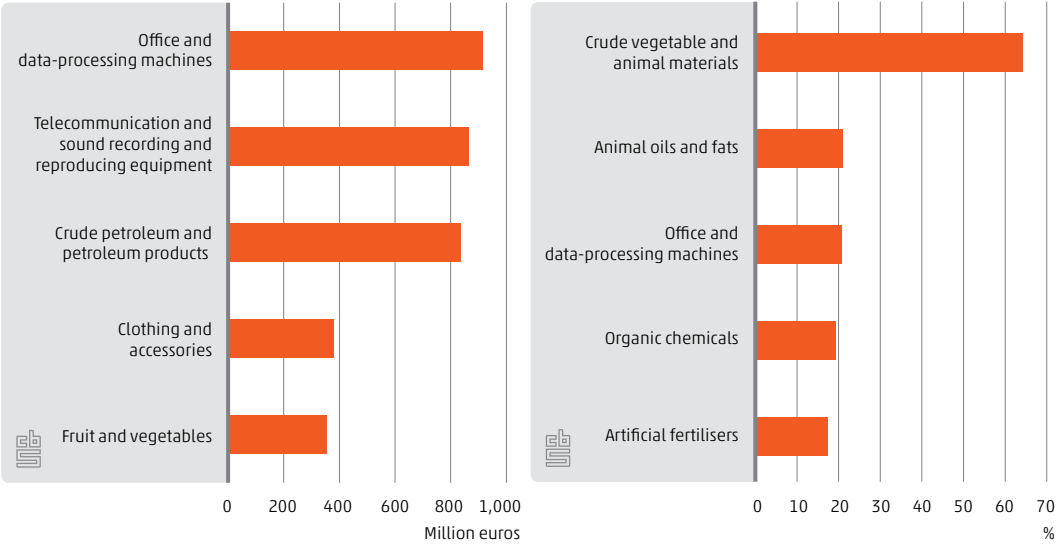
### 2.7.2 Top 5 products for East of England by volume (left axis) and NL share in UK imports (right axis), 2015



Source: Her Majesty's Revenue & Customs Trade Statistics and own calculations.

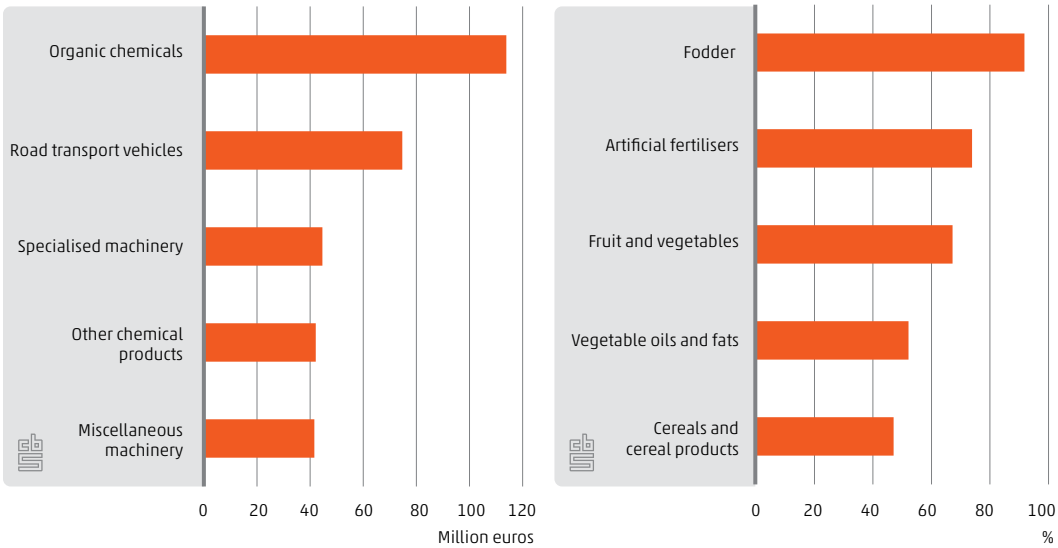


### 2.7.3 Top 5 products for London by volume (left axis) and NL share in UK imports (right axis), 2015



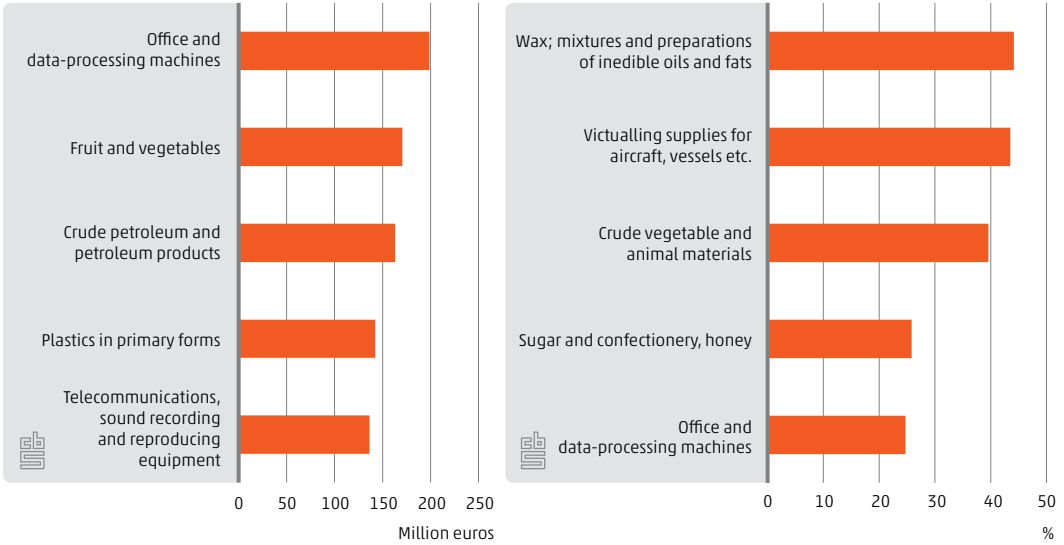
Source: Her Majesty's Revenue & Customs Trade Statistics and own calculations.

### 2.7.4 Top products for North East by volume (left axis) and NL share in UK imports (right axis), 2015



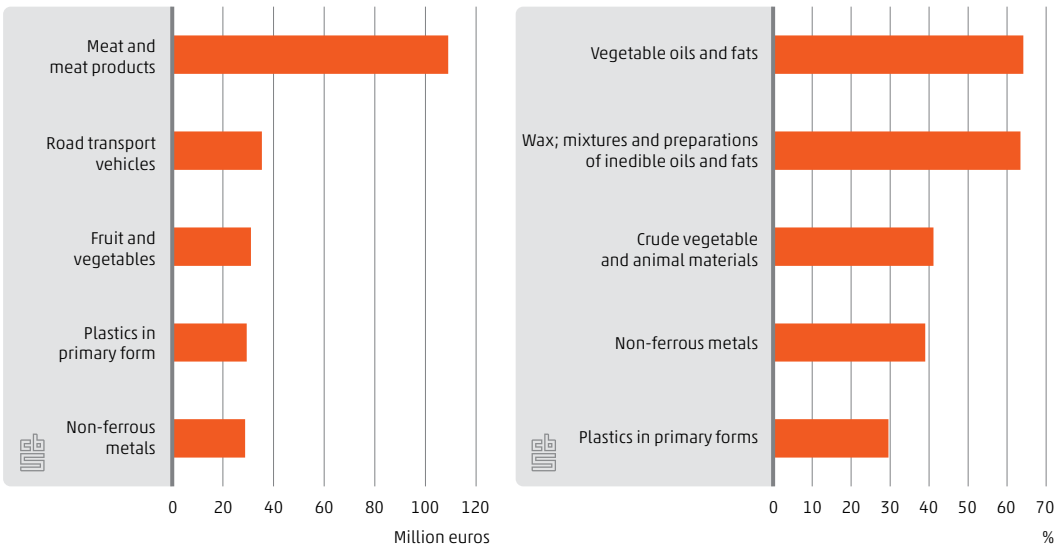
Source: Her Majesty's Revenue & Customs Trade Statistics and own calculations.

### 2.7.5 Top 5 products for North West by volume (left axis) and NL share in UK imports (right axis), 2015



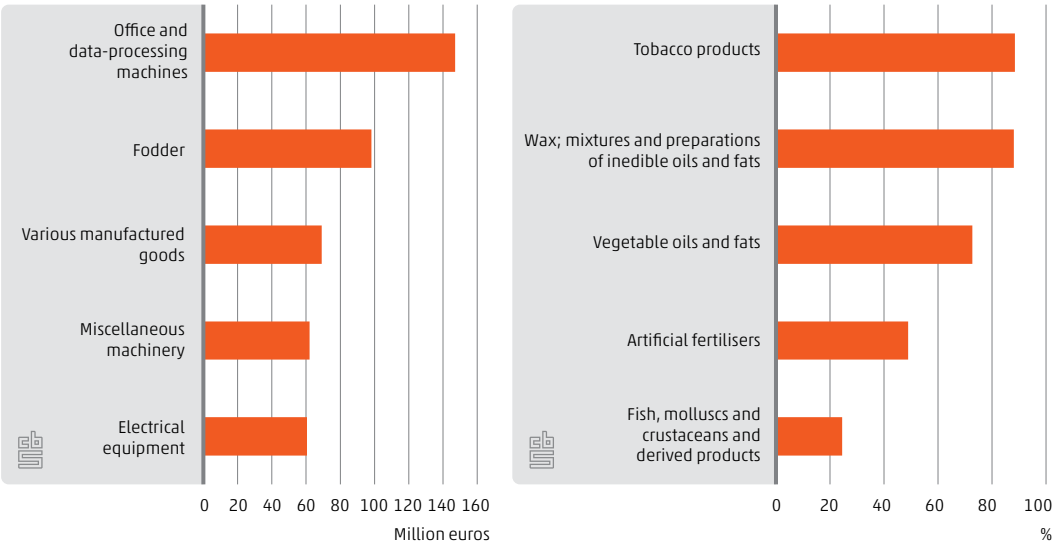
Source: Her Majesty's Revenue & Customs Trade Statistics and own calculations.

### 2.7.6 Top 5 products for Northern Ireland by volume (left axis) and NL share in UK imports (right axis), 2015



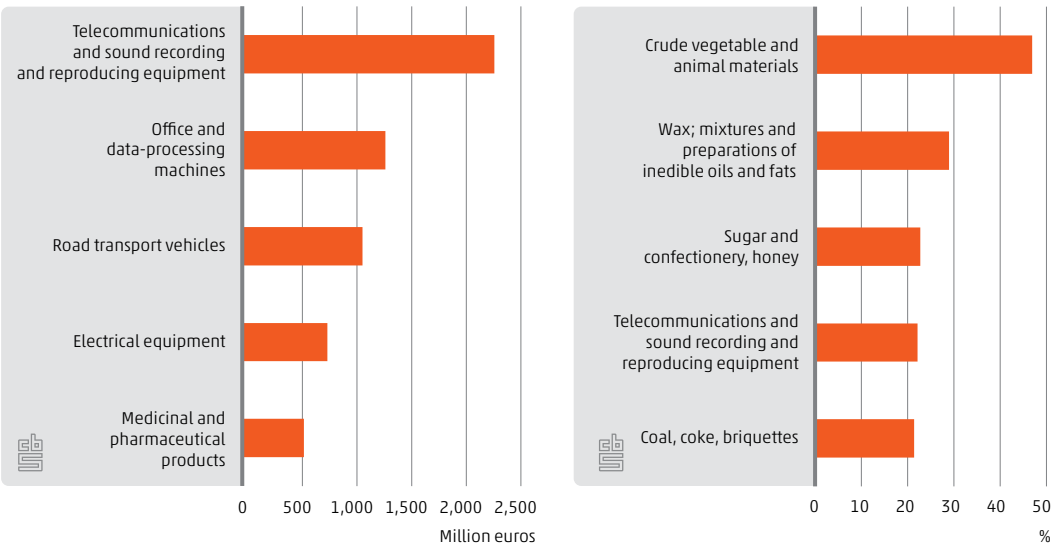
Source: Her Majesty's Revenue & Customs Trade Statistics and own calculations.

### 2.7.7 Top 5 products for Scotland by volume (left axis) and NL share in UK imports (right axis), 2015



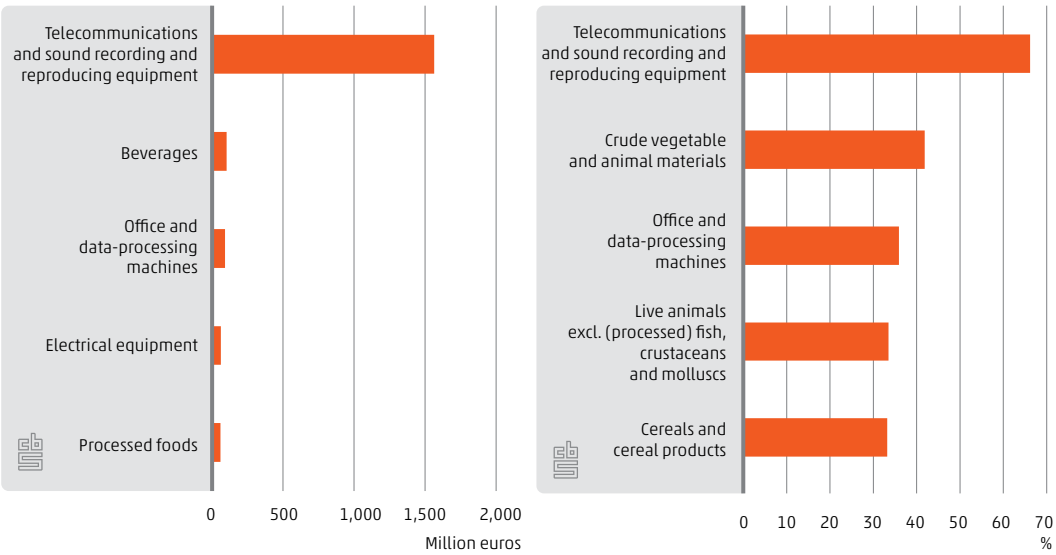
Source: Her Majesty's Revenue & Customs Trade Statistics and own calculations.

### 2.7.8 Top 5 products for South East by volume (left axis) and NL share in UK imports (right axis), 2015



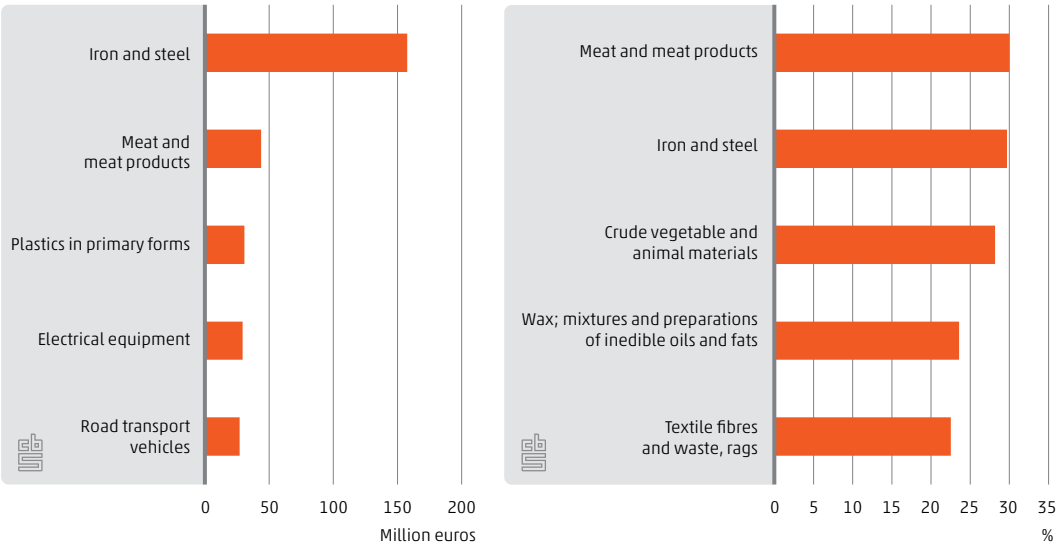
Source: Her Majesty's Revenue & Customs Trade Statistics and own calculations.

### 2.7.9 Top 5 products for South West by volume (left axis) and NL share in UK imports (right axis), 2015



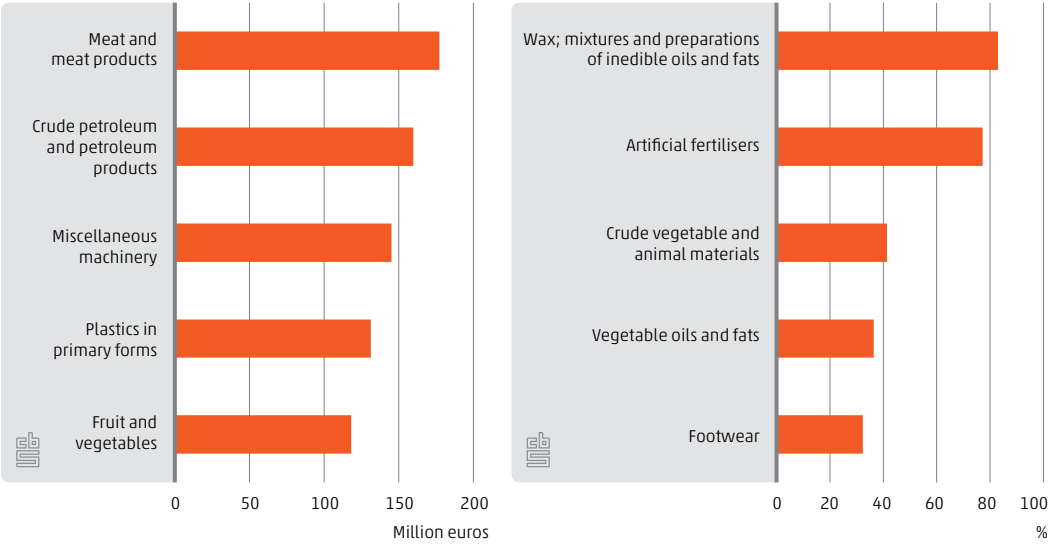
Source: Her Majesty's Revenue & Customs Trade Statistics and own calculations.

### 2.7.10 Top 5 products for Wales by volume (left axis) and NL share in UK imports (right axis), 2015



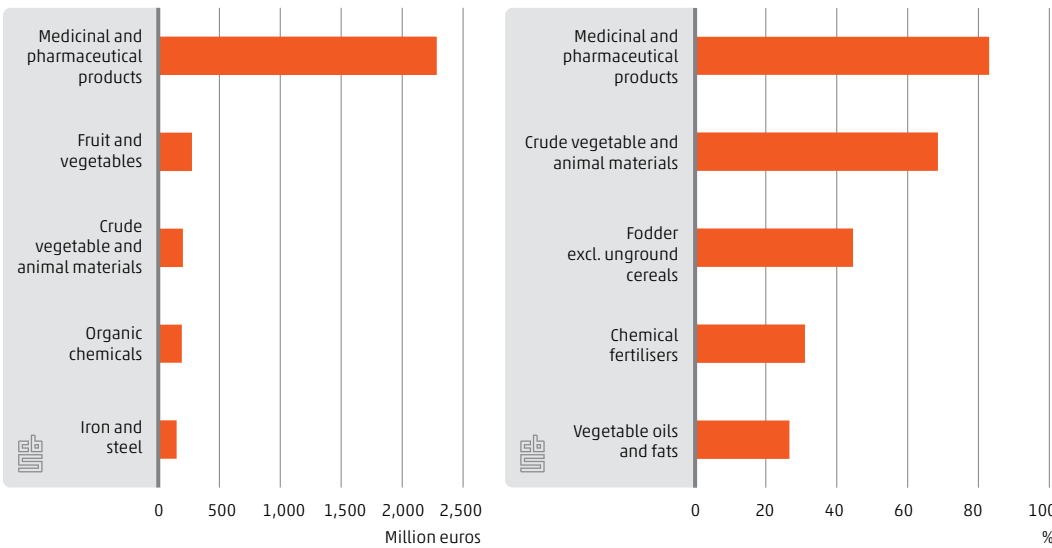
Source: Her Majesty's Revenue & Customs Trade Statistics and own calculations.

**2.7.11 Top 5 products for West Midlands by volume (left axis) and NL share in UK imports (right axis), 2015**



Source: Her Majesty's Revenue & Customs Trade Statistics and own calculations.

**2.7.12 Top 5 products for Yorkshire and the Humber by volume (left axis) and NL share in UK imports (right axis), 2015**



Source: Her Majesty's Revenue & Customs Trade Statistics and own calculations.



**3.**

# **The businesses behind Dutch-UK exports**

Author  
Roger Voncken



**8%** of goods exporters trading with the UK  
focus (almost) exclusively on the British market

**24%** of service exporters trading with the  
UK focus (almost) exclusively on the British market



**Trade with the United Kingdom is very important to the Dutch economy. After Germany, the United Kingdom is the Netherlands' highest source of export earnings. But not every business, or every sector, exports to the UK to the same degree. This chapter looks at exports from the perspective of the Dutch business community: what characteristics do businesses that export to the UK share? How important are exports to the UK to these businesses in terms of their overall exports and turnover? What role do UK businesses play in the Netherlands, and vice versa?**

## 3.1 Introduction

The United Kingdom has been one of the Netherlands' main trading partners for many centuries. After Germany and Belgium, it is its third largest. In terms of export earnings, it is actually the second largest after Germany (CBS, 2016d). The June 2016 referendum on the UK's membership of the European Union has not stopped UK and Dutch businesses trading with each other. The value of both goods imports and exports was higher in the months following the referendum than in the same period in 2015 (CBS, 2016e).

Nevertheless, Brexit's political and economic consequences for the Netherlands, the UK and the EU have been the subject of heated speculation in the months since the referendum (CPB, 2016; DNB, 2016b; OECD, 2016; ABN AMRO, 2016; ING, 2016; Rabobank, 2016). And not without good reason. Trade with the UK has increased in recent months, but Evofenedex, the Federation of Dutch Exporters, has forecast that the Dutch business community will see a fall in turnover when the UK leaves the EU (Evofenedex, 2017). Only a small proportion of all Dutch businesses trade with the UK, but they make a significant contribution to the Dutch economy. Most Brexit studies, however, have focused almost exclusively on macroeconomic indicators or have based their analyses on macroeconomic figures.

But which businesses lie behind the macroeconomic figures? Very few studies have attempted to answer this important question (Ministry of Foreign Affairs, 2016). This chapter therefore specifically considers the businesses in the Netherlands that export goods or services to the UK. At a macro or industry-wide level, the dependence on exports to the UK may be modest, but at a micro level many businesses may depend on the UK market.

This chapter outlines the characteristics of the businesses that export goods and services to the UK using microdata on individual businesses and business establishments. It reveals how many businesses export goods and services to England, Scotland, Wales and Northern Ireland and what they have in common. It also looks at the significance of the UK in their total exports. The significance of the UK export market differs from one business or sector to another. Some businesses are relatively highly dependent on the UK while others are more active in other markets. We consider only direct exporters, for example those that file international trade declarations, the final businesses in the value chain. The part played by suppliers in the value chain is considered in chapter 4.

The volume of trade with the UK is indicative of the country's significance to the Netherlands. But trade is not the only way firms can make their mark on the Dutch economy. This chapter also considers the part played by UK businesses in the Netherlands. In which industries are they particularly well represented and what is their contribution to jobs and turnover? The same analysis is made of Dutch businesses that operate in the UK.

In summary, this chapter addresses the following four questions:

1. How many businesses export to the United Kingdom and what are their characteristics?
2. What is the importance of exports to the UK for businesses that export to the UK?
3. In which industries do UK businesses in the Netherlands operate and what is their importance in terms of jobs and turnover?
4. In which industries do Dutch businesses in the UK operate and what is their importance in terms of jobs and turnover?

To answer these questions several microdatasets were compiled with information on individual businesses and trade. The data and methods used for this chapter are explained in section 3.2. Section 3.3 summarises the characteristics of the businesses that export to the UK. Section 3.4 considers the importance of goods and service exports for various industries, the volume of exports to the UK as a proportion of all goods and services exported, and their contribution to total turnover. Sections 3.3 and 3.4 look at all businesses in the Netherlands that trade with the UK. Section 3.5 focuses on UK businesses that operate in the Netherlands, the sectors in which they are active and their importance in terms of jobs and turnover. Section 3.6 makes a similar analysis for Dutch businesses that operate in the UK. The chapter closes with a summary and conclusions.

## 3.2 Data and methods

To answer the first two questions, a microdataset was compiled for the years 2014 and 2015. The dataset was derived from CBS's General Business Register (ABR). The ABR includes information on the location, size and main economic activity of all active businesses in the Netherlands. Industries are classified by means of the general industrial classification of economic activities within the European Community (NACE). The Dutch version of this classification is the Dutch standard industrial classification (SBI).

Businesses are classified by size according to their number of employees. Three size classifications are used in this chapter: independent small and medium-sized enterprises (SMEs), other SMEs, and large businesses. The same classification was used in the previous Internationalisation Monitor (Jaarsma & Walhout, 2016b). To identify independent SMEs, all companies in the ABR were checked to determine whether they were members of a group that had more than 250 employees and whether they had a foreign parent company. The parent company was checked by combining the ABR with the Foreign Affiliates Statistics (FATS). These statistics contain information on the location of a business's Ultimate Controlling Institutional Unit (UCI), which can be used to identify the country from which ultimate control is exercised.

The dataset was then enriched with information from CBS's International Trade in Goods (IHG) statistics. This data source contains information on annual goods imports and exports. It can be used to identify the businesses that import goods from and export goods to the UK, the type of goods concerned and their value in euros. The International Trade in Goods statistics consist of two parts: trade with countries outside the EU ('Extrastat') and trade within the EU ('Intrastat'). Trade data on non-EU countries is provided by customs authorities. It is transaction data, for example the source, destination and type of goods are recorded for every transaction (import or export movement). Intra-EU trade is reported by the businesses themselves, but only by those whose exports exceed the reporting threshold of €1.2 million.<sup>1)</sup> Businesses that do not exceed this threshold do not report the source, destination and type of the goods they export. To make up for this missing information, data is taken from intracommunity transactions declarations (ICP) filed in the Netherlands. In ICPs businesses inform the Dutch Tax and Customs Administration of the value of their exports to other EU countries.

<sup>1)</sup> This reporting threshold came into effect on 1 January 2016. The threshold for goods exports is €1 million.

One of the reasons the Tax and Customs Administration compiles this information is to combat tax fraud. ICP data can be used to identify the EU countries to which smaller businesses export. The data is available as from 2013. A similar method has not yet been developed for imports. The countries from which businesses below the reporting threshold import goods are therefore not known. This chapter accordingly considers only exports.

The population of the International Trade in Services (IHD) statistics is selected by means of a stratified sample of 5,600 businesses in the Netherlands. The sample has been compiled since 2014 using ICP data on international trade in services. Microdata has been derived from this data, with an estimate being made of the value of the international trade in services, if any, of each business in the Netherlands. Reported figures were used for the companies covered by the sample. The 2014 microdata is provisional. More information is provided in the CBS study by Smit and Wong (2016).

International trade in goods and services is linked wherever possible to businesses that are resident in the Netherlands. Trade by non-resident businesses and businesses not included in the General Business Register (ABR) is not considered. Aggregate values of trade therefore differ from the row totals in Statline.

Finally, turnover data is compiled from three different sources depending on business size. Data on the very largest businesses is taken from Production Statistics (PS). This data is available to the end of 2014. PS estimates a business's operating income and expenses to provide an insight into its cost structure. Turnover data on the other businesses is taken from corporation tax returns and VAT returns.

The third question is answered by linking up the datasets referred to above. An important dataset is the Foreign Affiliates Statistics, and in particular the Inward Foreign Affiliates Statistics (IFATS). This source provides information on the nationality, turnover and workforce of all businesses located in the Netherlands. Nationality is determined by the location of the business's UCI, usually the location of its head office. Data on control structures is not available for the agricultural sector, financial services, culture, sport and recreation, and other non-business services. The 2015 IFATS statistics are provisional. To prevent the identification of individual businesses from the information, the number of businesses has been rounded to multiples of five.

The fourth and final question addressed in this chapter is answered by means of data from the UK Office for National Statistics (ONS). Here, too, the focus is on the nationality of the businesses, in this case the nationality of businesses located in the UK. The data was obtained not from the IFATS survey but from Dun & Bradstreet as 2016 data was already available from that source.<sup>2)</sup> To prevent the identification of individual businesses from the information, the figures are rounded to multiples of five.

## 3.3 Business characteristics

More than 15,000 businesses in the Netherlands export goods to the UK. Nearly 9,000 export services. A lower limit of €5,000 per year was applied to both groups' exports to the UK. This limit was applied because in this section we wish to describe only businesses that have significant exports to the UK.

### 3.3.1 Exporters to the UK with export of goods (2015) and services (2014)<sup>1)</sup>

Sector	Export of goods		Export of services*	
	Number of businesses	Export value (mln euros)	Number of businesses	Export value (mln euros)
Agriculture, forestry and fishing	615	352	60	11
Manufacturing and energy	3,935	11,015	900	2,670
Construction	160	58	130	128
Wholesale trade	6,425	11,165	1,105	1,856
Retail trade and automotive	910	549	175	158
Transport, information and communications	965	1,281	2,610	3,736
Financial institutions	215	118	.	.
Specialist business services	1,300	2,319	2,915	2,509
Rental and other business services	280	123	545	1,015
Other	370	38	460	167
Total	15,175	27,018	8,900	12,251

Source: CBS.

<sup>1)</sup> Aggregate export values differ from the values presented in chapters 1 and 2. Not all international trade can be linked to businesses. Furthermore, only businesses with exports to the UK worth at least €5,000 were selected; see also section 3.2.

<sup>2)</sup> For detailed information on the compilation of the UK data, see the metadata in the table 'UK business: activity, size and location – 2016' on the website of the Office for National Statistics, UK (ONS): [www.ons.gov.uk/file?uri=/businessindustryandtrade/business/activitysizeandlocation/adhocs/006464ukornonukownershipofbusinessesbylep/ah0029.xls](http://www.ons.gov.uk/file?uri=/businessindustryandtrade/business/activitysizeandlocation/adhocs/006464ukornonukownershipofbusinessesbylep/ah0029.xls).

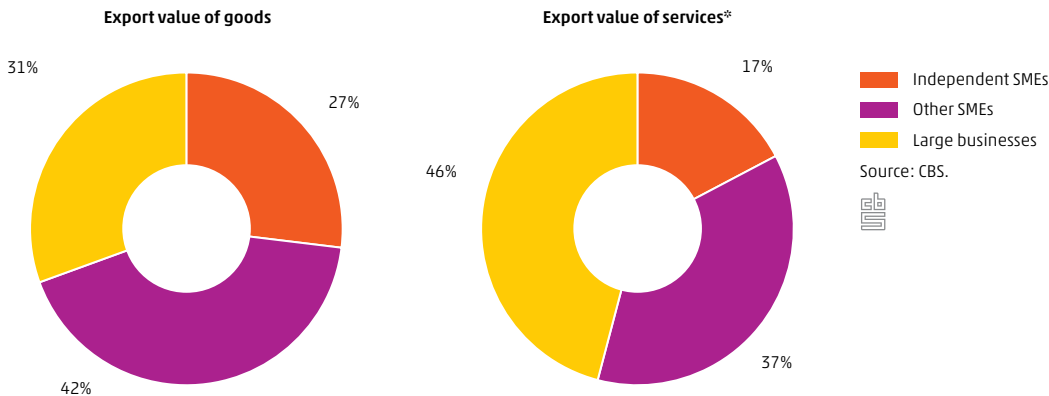
In terms of the number of businesses and the value of exports, the wholesale sector dominates goods trade with the UK (see table 3.3.1). The wholesale sector itself produces very little but is ultimately responsible for the export of many goods. Nearly all the goods are produced by other sectors. Agricultural products produced by farmers, for example, are exported by wholesalers (see chapter 4). The table also shows that the manufacturing and energy sector exports nearly as many goods to England, Scotland, Wales and Northern Ireland as the wholesale sector. Together, the wholesale and manufacturing and energy sectors account for 82% of the goods exported to the UK.

Although the value of goods exported to the UK is nearly twice as high as the value of services, service exports are more important than goods exports in most sectors. The transport sector and the information and communication sector together account for a third of the value of services exported from the Netherlands to the UK. The latter's services include the transmission and broadcasting of sound, images, data and other information. Industrial services consist chiefly of processing and adapting goods by businesses that do not own the goods in question. In the financial sector, reliable data is not available on international services provided by individual businesses and is thus not included in the table.

Figure 3.3.2 shows that businesses traditionally categorised as SMEs are responsible for about two-thirds of the goods exported to the UK by value. More than a quarter are exported by independent SMEs.<sup>3)</sup> Large businesses account for about 30% of goods exported to the UK by value. Five hundred businesses are responsible for these exports, equal to 3% of all businesses that export goods worth at least €5,000 to the UK. Large businesses are even more important in international services. With 6% of the total number of businesses that export services to the UK, large businesses account for nearly half of the export value. Independent SMEs account for a smaller share of the value of exported services.

<sup>3)</sup> Independent SMEs include all Dutch-owned enterprises in the Netherlands with fewer than 250 employees in the group as a whole. Other SMEs comprise enterprises with fewer than 250 employees that are part of a group with 250 or more employees or have a foreign parent company. More information on independent SMEs is included in the fourth edition of the Internationalisation Monitor 2016.

### 3.3.2 Share in export of goods (2015) and services (2014) to the UK by business type

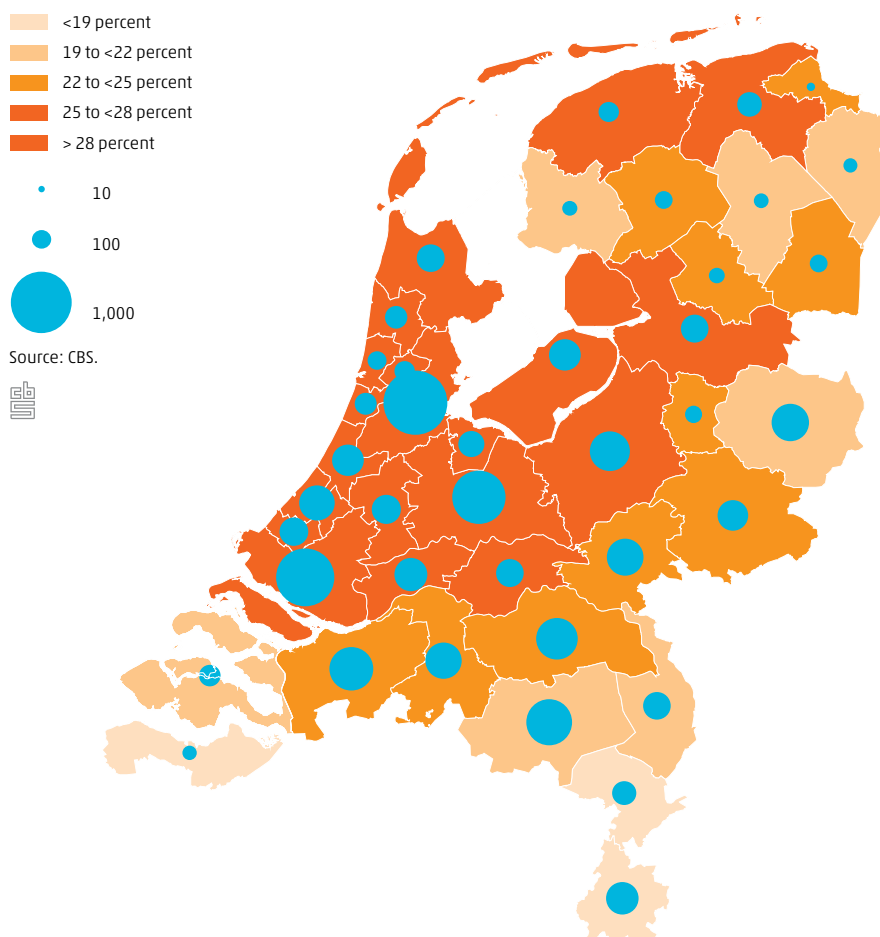


More than 15,000 businesses export goods to the UK. Together they have some 30,000 local business establishments. Figure 3.3.3 shows their location in the Netherlands. These business establishments (belonging to a business that exports goods worth more than €5,000 a year) are also compared with the total number of business establishments in a region.<sup>4)</sup>

About one in 10 local business establishments that export goods to the UK are located in Greater Amsterdam. Not a single region in the Netherlands has more business establishments that export to the UK. Greater Rijnmond and Utrecht follow, with 2,550 and 2,150 business establishments respectively. Remarkably, The Hague – the third largest city in the Netherlands – is just outside the top 10, behind the Brabant regions and a number of regions in the eastern Netherlands. The west of the country – especially the 'Green Heart' of the Randstad conurbation and North Holland – nevertheless has relatively more trade with the UK. North and South Holland lead the way, not only with regard to the number of businesses trading with the UK but also with regard to the value of exports. Together with North Brabant, North and South Holland are responsible for two-thirds of goods trade, both exports and imports (CBS, 2016f). In relative terms, the Zaanstreek region has the most business establishments that export goods to the UK. A third of all exporters in this region trade with the UK. Zeeuws-Vlaanderen and the south of Limburg have relatively few business establishments that export to England, Scotland, Wales and Northern Ireland.

<sup>4)</sup> It is not possible to make the same map for services. Regionalisation is not possible because the International Trade in Services statistics contain no information on business establishments.

### 3.3.3 Local business establishments with goods exports to the UK and share in total exporting businesses, 2015



**1** in **10** business establishments trading goods with the UK are located in the Amsterdam region





## 3.4 Importance of goods exports to the UK

The previous section looked at businesses that export to the UK. This section considers the value of the goods and services they export to the UK and the direct importance of those exports to their total exports and turnover. It considers only businesses that export goods and services, and in particular those that export to the UK.

Table 3.4.1 summarises the number of enterprises per sector that export goods to the UK and the direct importance of those exports to them. It also shows that not every sector exports products to the UK to the same degree. The sector that exports most to the UK is manufacturing. Refineries and chemical businesses are particularly well represented. Nearly half of all goods exporters in this sector sell products to the UK, followed by the food and tobacco industry (44%) and the electrotechnical and machinery industry (43.7%). Enterprises active in the service sector export distinctly less to the UK. With less than 7% of all exporting businesses, the construction industry is the least active in the UK goods market.

Although the Dutch manufacturing sector exports relatively more goods to the UK, their direct importance as a percentage of the sector's total exports is low compared with other industries. The exports of 80% of the 3,835 manufacturing exporters that sell to the UK market account for less than a quarter of their total exports. Goods exports to the UK account for at least half of the total exports of 10% of the businesses in the manufacturing sector that sell into the UK.

Enterprises active in services sectors export relatively few goods to the UK. But those that do are relatively dependent on them. The UK market is particularly important to advertising and design businesses: at least half of the goods exports of 45% of the 390 enterprises in this sector are sold into the UK. Enterprises active in the culture, real estate and financial sectors are also highly geared to the UK market. A quarter of all enterprises in these sectors that export goods to the UK are almost completely dependent on the UK. The amounts concerned in the service sector, however, are generally far lower than those in the manufacturing sectors.

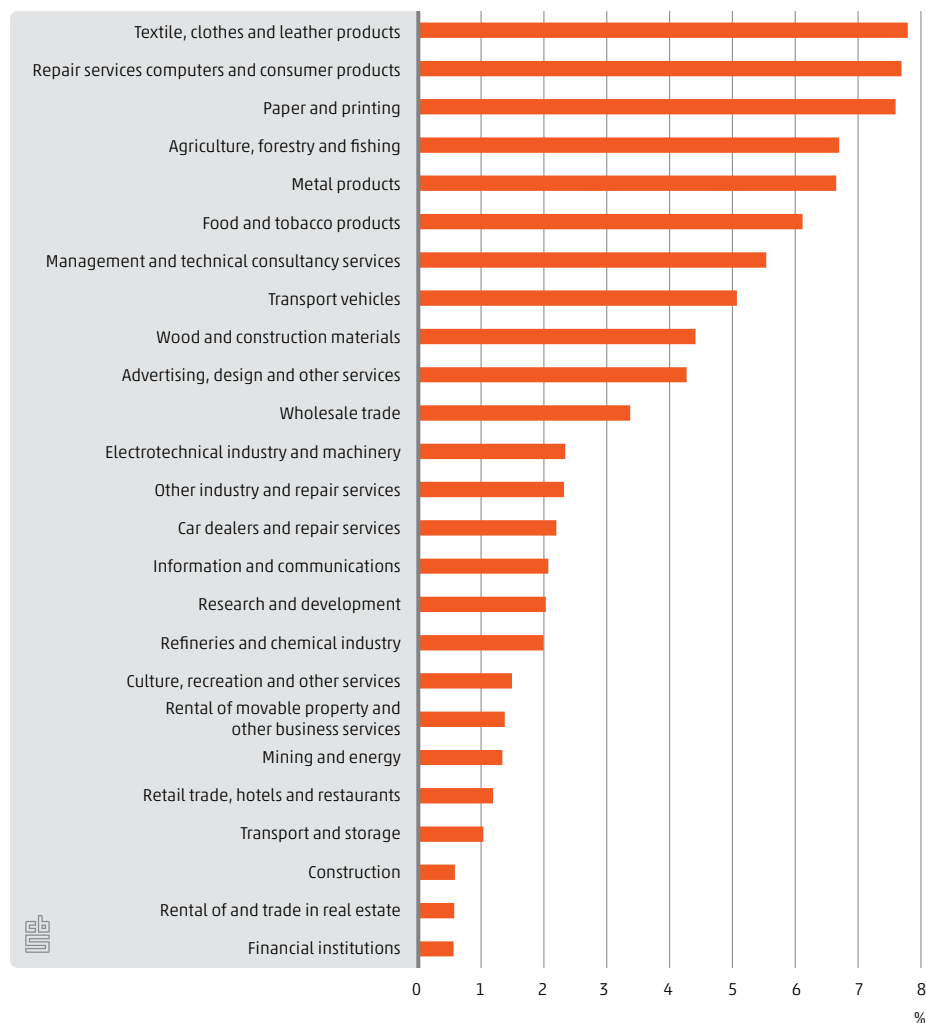
### 3.4.1 Enterprises exporting goods to the United Kingdom and share of these exports in total exports of goods, 2015

	Number of enterprises	Enterprises engaged in trade with UK	Average exports to UK	Share UK in total exports				
				less than 5%	5 to <25%	25 to <50%	50 to <95%	95% and over
			x 1,000	%				
Agriculture, forestry and fishing	4,590	615	571	24	34	17	18	6
Mining and energy	425	100	9,950	34	37	10	11	8
Food and tobacco products	990	440	6,631	36	40	14	8	1
Textile, clothing and leather products	570	180	1,816	32	39	16	9	3
Wood and construction materials	625	150	1,041	31	44	10	13	3
Paper and printing	735	235	2,581	34	44	13	6	3
Refineries and chemical industry	1,310	635	3,599	40	46	7	5	2
Metal products	2,125	560	2,088	38	39	10	9	5
Electrical equipment and machinery	2,435	1,065	1,414	39	43	10	6	2
Transport vehicles	520	180	4,795	41	34	12	8	5
Other industry and repair services	2,110	385	541	32	43	10	10	5
Construction	2,330	160	368	22	38	13	14	13
Car dealers and repair services	3,385	455	877	33	39	14	10	3
Wholesale trade	24,740	6,425	1,737	35	41	12	9	4
Retail trade, hotels and restaurants	4,005	470	332	19	30	20	19	12
Transport and storage	1,995	255	2,849	21	42	16	9	12
Information and communications	3,020	710	780	13	30	17	18	22
Financial institutions	1,325	215	550	15	32	14	13	25
Rental of and trade in real estate	220	25	141	22	22	22	9	26
Management and technical consultancy services	3,910	780	2,853	17	30	16	13	23
Research and development	420	130	247	29	41	14	9	7
Advertising, design and other services	2,170	390	171	11	29	15	20	25
Rental of movable goods and other business services	1,645	280	438	23	30	17	15	15
Culture, recreation and other services	1,430	225	83	9	30	17	18	26
Repair services computers and consumer products	195	25	162	15	38	12	23	12
Total	67,740	15,175	1,780	30	38	13	10	8

Source: CBS.

Table 3.4.1 shows the degree to which goods exporters focus on the UK. This does not mean that a business that exports almost solely to the UK is entirely dependent on the country. Goods exports are only one aspect of a business's earnings model. A business might be entirely dependent on the UK for its exports but still earn 99% of its turnover in the Netherlands. To shed more light on this aspect, figure 3.4.2 presents the export of goods to the UK as a percentage of each sector's total turnover.

### 3.4.2 Export intensity of commodities traders to the UK by sector, 2014\*



### 3.4.3 Enterprises exporting services to the UK and share of these exports in total exports of services, 2014\*

	Number of enterprises	Enterprises engaged in trade with UK	Average exports to UK	Share UK in total exports				
				less than 5%	5 to <25%	25 to <50%	50 to <95%	95% and over
			x 1,000	%				
Agriculture, forestry and fishing	690	60	185	20	37	15	19	8
Mining and energy	305	110	3,856	23	33	8	16	20
Food and tobacco products	190	55	2,190	58	23	9	9	0
Textile, clothing and leather products	85	25	2,340	4	56	4	19	19
Wood and construction materials	105	15	115	29	35	6	12	18
Paper and printing	175	45	478	21	23	26	14	16
Refineries and chemical industry	320	110	3,886	24	38	21	5	12
Metal products	545	110	1,259	29	33	10	17	10
Electrotechnical industry and machinery	730	255	5,303	27	46	13	7	7
Transport vehicles	200	55	1,106	43	20	9	19	9
Other industry and repair services	720	120	352	21	39	12	12	16
Construction	1,870	130	988	21	31	12	13	23
Car dealers and repair services	765	95	277	38	25	8	11	18
Wholesale trade	5,575	1,105	1,678	19	33	16	15	18
Rental of and trade in real estate	755	100	2,039	19	24	17	16	22
Transport and storage	4,130	995	1,935	32	36	15	10	8
Information and communication	5,415	1,610	1,121	11	26	13	16	34
Financial institutions	.	.	.	.	.	.	.	.
Rental of and trade in real estate	240	35	243	6	22	11	25	36
Management and technical consultancy services	8,035	1,895	1,087	10	23	16	16	35
Research and development	425	135	1,543	16	35	17	11	20
Advertising, design and other services	4,005	885	274	6	24	19	23	28
Rental of movable property and other business services	2,250	545	1,855	16	34	15	16	20
Culture, recreation and other services	2,095	385	223	8	26	18	21	26
Repair services computers and consumer products	85	20	201	26	21	11	21	21
Total	39,720	8,900	1,376	16	29	15	15	24

Source: CBS.

Figure 3.4.2 shows exports to the UK as a percentage of a sector's total turnover (export concentration). Manufacturing industry is the most dependent on the UK market. For businesses engaged in the management and technical consultancy sector and the agricultural sector, goods exports to the UK also represent a relatively high proportion of their turnover: 5.5% and 6.7% respectively. About 24% of agricultural exporters that sell in the UK market depend on the country for more than half of their exports of goods. In the management and technical consultancy sector, the figure is as high as 36% of exporters. These sectors are therefore relatively specialised in exports to the UK and their dependence on those exports is higher than average.

At 7.8% of total turnover, the textiles, clothes and leather sector is the most dependent on UK demand for goods. Table 3.4.1 shows that 12% of the exporters in this sector depend on the UK for more than half of their goods exports. Some businesses will probably be specialised in exports to the UK. Industries in the services sector generate relatively little of their turnover from goods exports to the UK, partly because goods exports are not the core business of service businesses (CBS, 2013).

A similar analysis has been made of international trade in services. Table 3.4.3 shows how many businesses export services to the UK and the importance of those exports to their total service exports. As in the case of goods exporters, the proportion of businesses that export services to the UK differs from sector to sector. The mineral extraction and energy sector has the largest proportion of businesses that export services to the UK: 36.1%. In relative terms, construction businesses export the fewest services to England, Scotland, Wales and Northern Ireland.

In total, nearly 9,000 businesses<sup>5)</sup> in the Netherlands export services to the UK. A quarter of them are nearly entirely dependent on the UK for their exports. By way of comparison, 8% of goods exporters export almost exclusively to the UK. Real estate businesses concentrate the most on exporting services to the UK. However, this sector is a relatively small exporter of services. The management and technical consultancy sector certainly is not: 1,895 businesses in this sector sell their services in the UK. No other sector has as many businesses that export services to the UK: 35% of them export almost exclusively to the UK. Service exporters in the information and communications sector also concentrate relatively strongly on the UK; a third of the service exporters selling in the UK market export almost all of their services to the UK.

<sup>5)</sup> With a minimum export value of €5,000 per year.

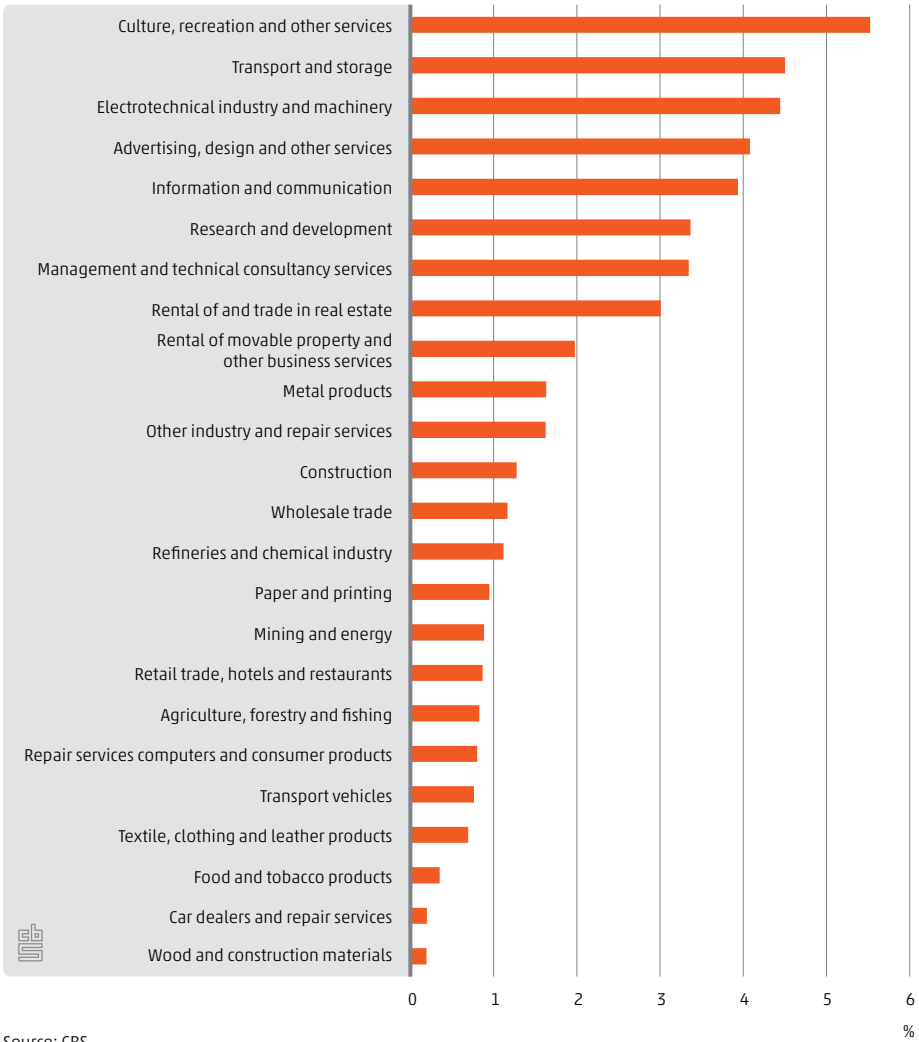
The food and tobacco industry exports few services to the UK. Nearly three out of five businesses in this sector export less than 5% of their services to England, Scotland, Wales and Northern Ireland. On average, the electrotechnical and machinery industry exports the services with the highest value: €5.3 million.

Table 3.4.3 shows the extent to which service exporters concentrate on the UK. As noted above, a business that exports almost exclusively to the UK is not necessarily entirely dependent on that country. Figure 3.4.4 shows the concentration of service exports to the UK by sector. Service export concentration is the share of services exported to the UK as a percentage of a sector's total turnover. The importance of services exported to the UK is greatest in the culture and recreation sector: 5.5% of its turnover comes from these exports. The transport and electrotechnical and machinery sectors complete the top three.

A comparison of export concentrations shows that goods exports to the UK account for a larger proportion of most sectors' turnover than service exports. This is particularly true of the textiles, clothes and leather sector, the computer and consumer goods repair sector and the paper and printing industry. It should be noted, though, that the export concentration relates only to direct exports to the UK. It is quite possible that goods, and to a lesser extent services, are produced in one sector and exported by another. In such cases the sector supplying the goods also depends on the exports. This is considered further in chapter 4. Dependence on exports and their profitability may also arise via demand from a third country. The following is a well-known example: the Netherlands produces steel and supplies it to Germany. The German car industry then exports cars to the UK. Indirectly, the Dutch steel industry depends on UK demand for cars.

Export concentration is therefore not the same as export dependence (CBS, 2013). Indirect dependence is also considered in chapter 4.

### 3.4.4 Export intensity of services exporters to the United Kingdom by sector, 2014\*



Source: CBS.

## 3.5 UK enterprises in the Netherlands

The previous sections considered the size and concentration of exports as an indicator of the economic interconnections between the Netherlands and the UK. The presence and activity of foreign-controlled businesses are also important indicators of internationalisation and close ties with other countries. This section therefore looks at businesses that are controlled from the UK.

There are more than 1 million enterprises in the Dutch non-financial business economy.<sup>6)</sup> About 12,000 – 1.2% – of them are foreign-owned. Although small in number, this group is very important to the Dutch economy (CBS, 2016g; CBS, 2016h). Nearly 16% of employees in the Netherlands – 913,000 people – work for a foreign-owned enterprise. Foreign-owned businesses also account for 37% of total turnover generated by businesses in the Dutch business economy.<sup>7)</sup>

About 1,200 enterprises in the Netherlands are UK-controlled. Only the United States and Germany own more enterprises in the country. These UK businesses have more than 3,400 local establishments. Figure 3.5.1 shows that they are not spread evenly across the Netherlands. By far the most UK-owned business establishments are located in the Amsterdam region: 630 in total. More than 40% of all UK local business establishments in the Netherlands are located in Greater Amsterdam, the Greater Rijnmond region, Utrecht and The Hague conurbation. The fewest UK-controlled business establishments are located in the northeast of the Netherlands and in Zeeuws-Vlaanderen. This is not surprising as relatively few businesses are located in either of these regions.

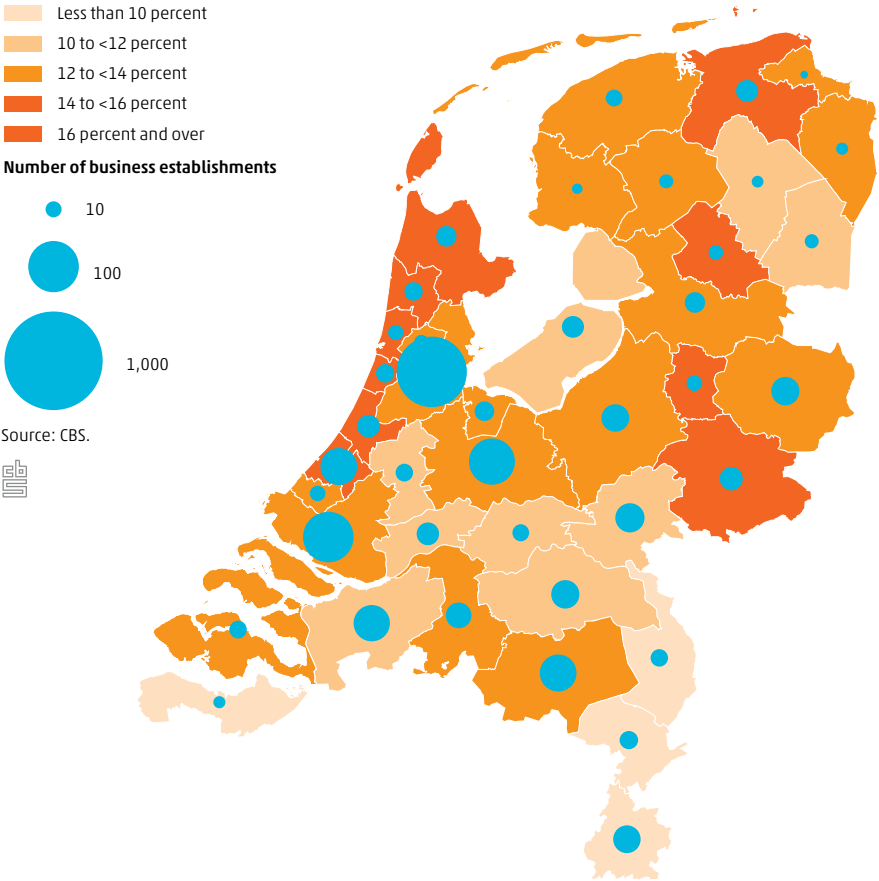
Groningen has the highest number of UK-owned establishments as a percentage of total foreign-owned establishments in a region. More than 14% of foreign establishments in this province are UK-owned. However, the regions with the highest proportion of UK business establishments are Southwest Drenthe (17.7%), Kop van Noord-Holland (17.1%) and Southwest Overijssel (15.5%). In relative terms, Limburg has the fewest UK establishments. This is partly because of the relatively high number of foreign businesses located in the province. At 2.5%, Limburg has the highest proportion of foreign establishments in the country.

<sup>6)</sup> The non-financial business economy includes manufacturing, construction, trade, business services, etc. The public sector, healthcare, education, agriculture and the financial sector are not included.

<sup>7)</sup> The employment figures in this section relate to 2015 and turnover figures to 2014.

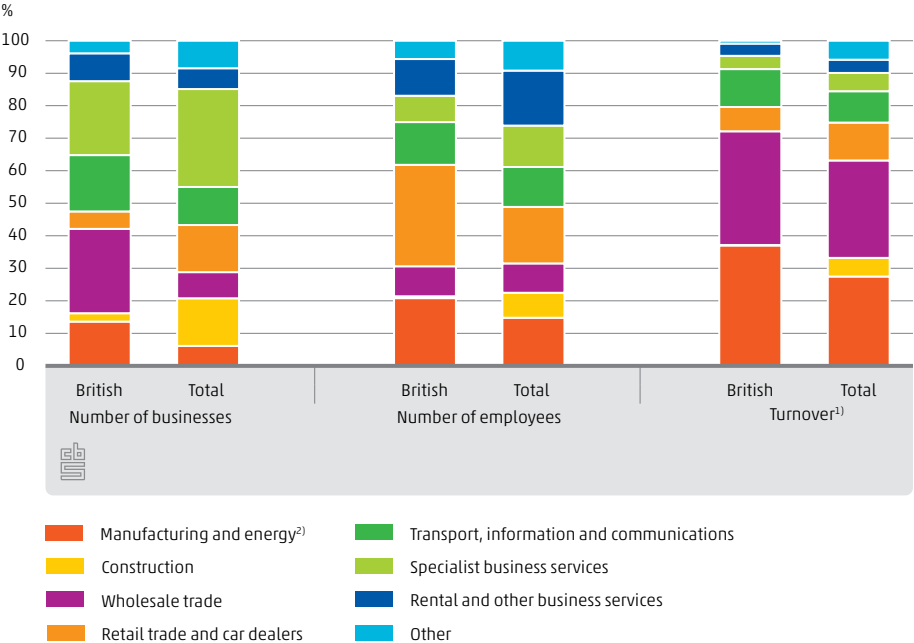


### 3.5.1 Number of British local business establishments in the Netherlands and their share in total number of foreign enterprises, 2015\*



UK-owned enterprises make up 0.12% of the Dutch business community. Yet they are responsible for 1.9% of employment and 3.8% of total turnover in the Netherlands. Figure 3.5.2 shows the sectors in which UK businesses are active, expressed by number of businesses, employees and turnover. Many UK businesses in the Netherlands, like many foreign-owned businesses, are engaged in wholesaling (CBS, 2016h). More than a quarter of them are engaged in wholesaling. They are responsible for a third of all turnover earned by UK businesses but employ relatively few people. One of the main reasons for this is that wholesale trade involves the purchase and resale of goods. Making a profit on the sale of the goods requires relatively little other input from, for example, employees. In employment terms, retailing and the automotive sector add the most to the Dutch economy. UK retail and automotive businesses employ more than 33,000 people in the Netherlands. In total, 106,000 people in the Netherlands are employed by UK-controlled businesses.

### 3.5.2 British-owned enterprises by sector, expressed by number of businesses, employees and turnover, 2015\*



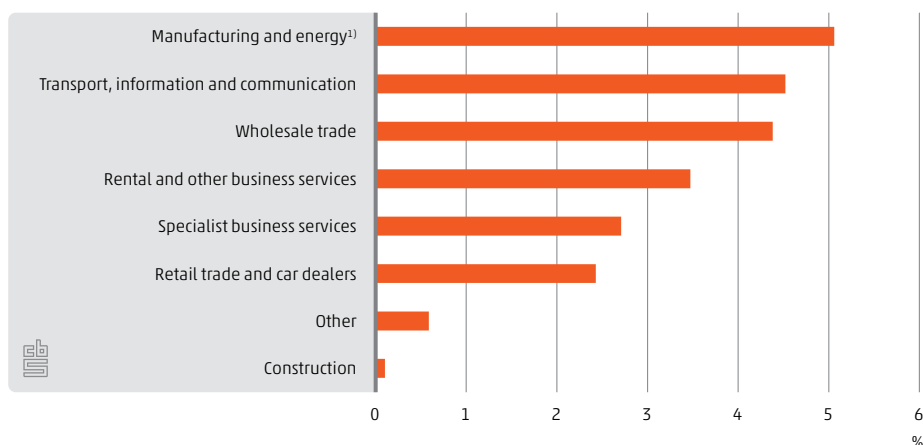
Source: CBS.  
<sup>1)</sup> Reporting year 2014.  
<sup>2)</sup> The sector manufacturing and energy includes SIC divisions B, C and E. SIC division D is included in the category 'other'.

In turnover terms, the manufacturing and energy sector is the most dependent on UK businesses (see figure 3.5.3). 5% of the total turnover generated in this sector – equal to almost €20 billion – is accounted for by UK-controlled businesses. In relative terms, UK businesses generate hardly any turnover in the construction sector.

**5%** of manufacturing and energy sector turnover is by British-owned companies



### 3.5.3 Contribution of British-owned enterprises to total sector turnover in the Netherlands (%), 2014



## 3.6 Dutch enterprises in the UK

There were more than 2 million businesses in the UK business economy in 2016.<sup>8)</sup> Some 22,500, or 1.1%, were foreign owned.<sup>9)</sup> These foreign firms are very important to the UK business economy. Non-British enterprises account for more than 19% of employment and nearly 37% of total turnover in the UK business economy. Of these businesses, 1,310 are ultimately Dutch-controlled. They are responsible for 1% of total employment and 1.5% of total turnover in the British business economy. UK multinationals are therefore twice as important for jobs and turnover in the Netherlands as Dutch multinationals are in the UK.

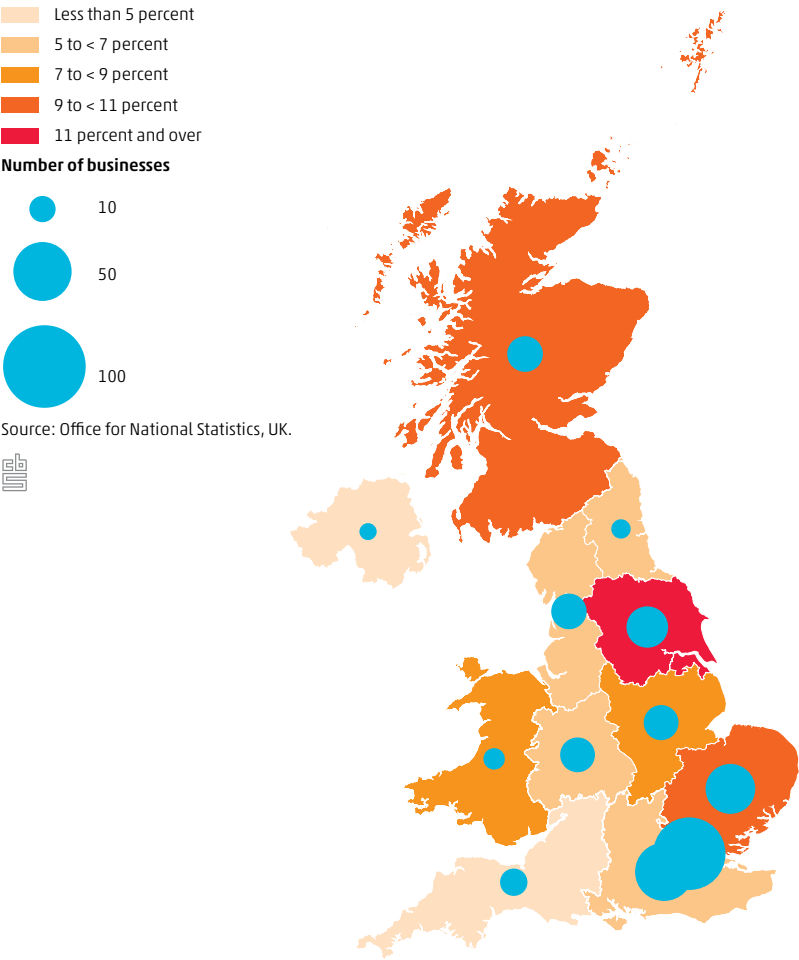
Dutch-owned businesses are not spread evenly across the UK (see figure 3.6.1). More than half are located in the south-eastern part of the country: London

<sup>8)</sup> The UK non-financial business economy comprises all businesses whose main activity is included in SBI sections B to N, excluding K, plus S95.

<sup>9)</sup> Some multinationals have a dual corporate structure with head offices in more than one country. In the handful of cases where a business cannot be assigned a single nationality, under international agreements its nationality is that of the reporting country (including operating results obtained in that country). Anglo-Dutch businesses such as Shell, Unilever and RELX are therefore recognised in the Netherlands as Dutch businesses and in the UK as UK businesses. On account of the level of detail, this chapter is based on UK figures.

(350), South East (225) and East (165). These are the three richest regions of the UK, as can be seen from the ranking of UK regions on page 9. Relatively few Dutch businesses are located in Northern Ireland or Wales. These regions have relatively small economies and populations. Scotland is mid-ranking, with 85 Dutch businesses.

**3.6.1 Distribution of Dutch-owned businesses in the UK and share in total of foreign-owned businesses, 2016**

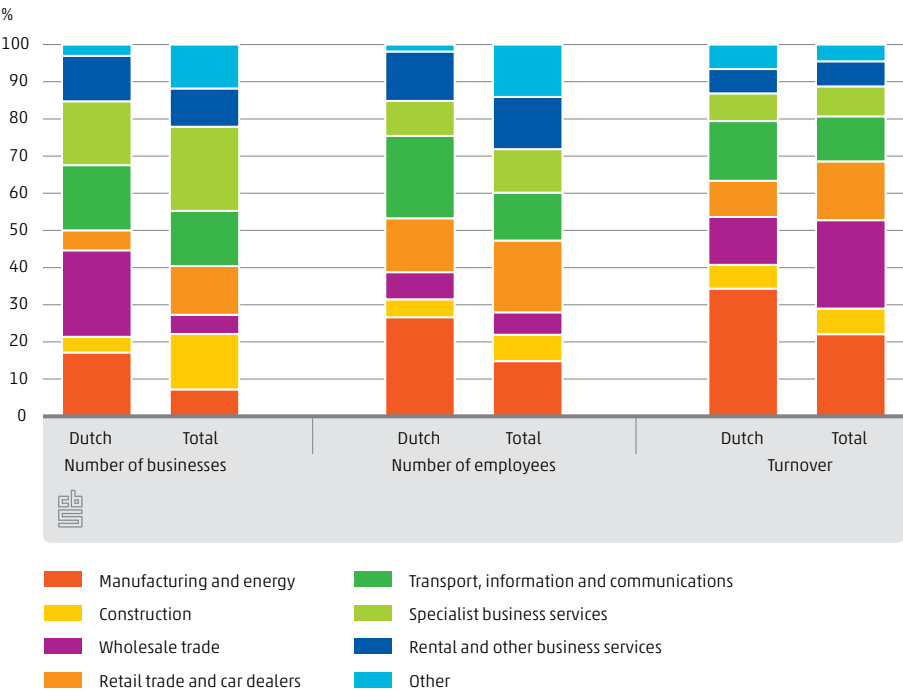


As a proportion of all foreign enterprises, however, Dutch businesses are most prevalent in Yorkshire and the Humber. Nearly 12% of foreign-owned enterprises in this region are Dutch. Most of them are engaged in wholesaling. With a share of nearly 10%, Dutch enterprises are also relatively well represented in the East

and Scotland regions. In London, by contrast, the proportion of Dutch enterprises is relatively small. Less than 5% of all foreign businesses in London are Dutch. The figure is lower only in Northern Ireland. In comparison with the other regions, the number of foreign enterprises located in London is high in both relative and absolute terms. This reduces the Dutch share of foreign businesses in London.

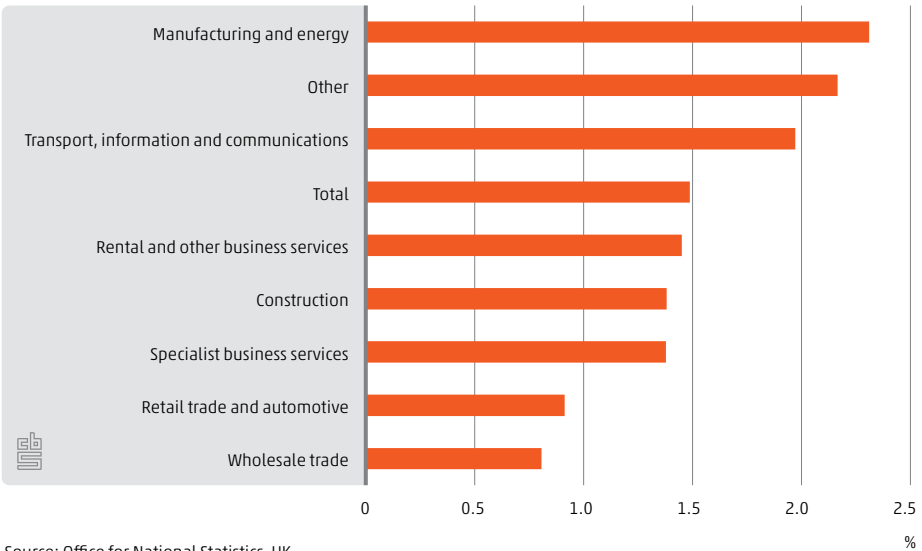
Figuur 3.6.2 shows the sectors in which the Dutch-controlled enterprises are active. As a percentage of all businesses in the UK, Dutch enterprises are well represented in the manufacturing and energy sector. More than 17% of Dutch enterprises are in this sector, while this sector represents just 7% of the UK business community. This industrial sector, moreover, accounts for a quarter of all employment and a third of the total turnover generated by Dutch businesses. Dutch wholesalers are also, in relative terms, highly active in the UK. However, their relative strength is not as pronounced in terms of employees and turnover. Conversely there are also sectors in the UK in which Dutch enterprises are underrepresented, such as construction and retailing.

**3.6.2 Dutch-owned enterprises by sector, expressed by number of enterprises, employees and turnover, 2016**



Dutch-controlled businesses were responsible for 1.5% (about €64 billion) of the total turnover of the UK business community (see figure 3.6.3). Dutch businesses are most important in the manufacturing and energy sector: 2.3%. Dutch businesses in the 'other' category, consisting of hotels and restaurants and real estate activities, account for more than 2% of the sector's total turnover. Dutch wholesalers and retailers generate proportionately the least turnover in their respective sectors.

**3.6.3 Contribution of Dutch-owned enterprises to total sector turnover in the UK (%), 2016**



**3.7 Summary and conclusions**

This chapter looked at enterprises that have ties with the UK. Microdata was used to gain a better understanding of the businesses that export to the UK, UK enterprises that are located in the Netherlands and Dutch businesses that are located in the UK.

More than 15,000 businesses in the Netherlands export goods to the UK and nearly 9,000 export services to the UK. Manufacturing and energy businesses and wholesalers account for most of the goods exported to the UK. Transport businesses and businesses active in the information and communications sector

together account for a third of the services exported from the Netherlands to the UK by value. Services are exported chiefly by large enterprises, although SMEs are the most important exporters of both goods and services. One in 10 local establishments that export goods to the UK is located in the Amsterdam region. No other region in the Netherlands has more local establishments which export to the UK. In relative terms, too, the west of the country, and especially the 'Green Heart' of the Randstad conurbation and the province of North Holland, does the most trade with the UK.

This chapter also showed that, by value, the UK is not a significant market for 30% of Dutch businesses that export to the UK. However, the UK accounts for at least 5% of total goods exports for the remaining 70%. Eight per cent of exporters to the UK export exclusively or almost exclusively to the UK. In relative terms, service businesses sell the most goods to the UK but the amounts involved are considerably lower than those in the manufacturing sector. Furthermore, there are relatively more goods exporters in the service sectors that do not sell any goods at all to the UK. If the value of total goods exported to the UK is expressed as a percentage of turnover, the manufacturing sector is the most dependent on direct exports to the UK. The textile, clothes and leather industry, computer and consumer goods repairers and the paper and printing industry owe more than 7% of their turnover to goods exports to the UK.

A quarter of the enterprises that export services to the UK focus almost entirely on the UK market. In the management and technical consultancy sector, 35% do so. The food and tobacco industry exports relatively few services to the UK. Nearly three out of five enterprises in this sector export less than 5% of their services to England, Scotland, Wales and Northern Ireland. As a proportion of turnover, the culture and recreation sector exports the most services to the UK: 5.5% of its turnover is derived from exports to the UK. The transport sector and the electrotechnical and machinery sector complete the top three.

It should be noted that the above percentages relate only to direct exports to the UK. Goods, and to a lesser extent services, can be produced by one sector but exported by another. This can occur in the Netherlands or via a third country. Export concentration is therefore not the same as export dependence. Many temporary employment agencies, for example, earn only a small percentage of their turnover directly from exporting goods, but because many temporary employees work in manufacturing the agencies depend indirectly on goods exports (CBS, 2013). This chapter takes no account of such indirect ties. They are considered in the next chapter.

Apart from exports, foreign control of an enterprise is also an important indicator of internationalisation. There are more than 1 million enterprises in the Dutch business economy. About 1,200 of them are UK-controlled. Only the United States and Germany have more businesses in the Netherlands. The UK accounts for just 0.12% of all enterprises in the business economy, but they are responsible for 1.9% of jobs and 3.8% of total turnover. Greater Amsterdam has more UK local establishments than any other region. In terms of the number of businesses, Limburg is the least dependent on British business establishments. This is partly because of the relatively high number of foreign businesses in Limburg. In terms of jobs, the retail trade and the automotive industry contribute the most to the Dutch economy. More than 33,000 people work for UK retail and automotive businesses.

Conversely, the UK non-financial business economy has 1,310 businesses that are ultimately controlled from the Netherlands. They are responsible for 1% of total employment and 1.5% of total turnover generated in the UK business economy. UK multinationals are thus twice as important for jobs and turnover in the Netherlands as Dutch multinationals are in the UK. More than half the Dutch businesses are located in the southeast of the UK. In comparison with the total UK business community, Dutch businesses are strongly represented in the manufacturing and energy sector: 2.3% of this sector's turnover is accounted for by Dutch-owned businesses.



4.

# Dutch export revenues in trade with the UK

Authors

Marjolijn Jaarsma

Khee Fung Wong



**3%** of GDP on account of  
goods and services exports to the UK

**39** euro cents average net value  
added per euro of exports to the UK

**In 2015, the Netherlands generated up to €21 billion in direct exports to the UK. This is almost 10% of total Dutch export revenues. Which sectors are responsible for the highest domestic value added in these exports? How many full-time jobs in the Netherlands are associated with the export of goods and services to the UK? Does the Netherlands also earn indirectly from British demand for its products, for example in exports via other countries? The answers to these questions will help illustrate the importance of the UK to the Dutch economy, identify dependency relationships and describe their development over time.**

## 4.1 Introduction

Since the day when a British majority voted to leave the European Union – 23 June 2016 – many reports, surveys and studies have been published, virtually all revolving around the same research question: 'What does this mean for us?'. What will be the impact of Brexit on the Netherlands and the rest of the EU? It is still a difficult question to answer, even as nearly nine months have passed since the British referendum. At this moment, the UK seems to steer towards a 'hard Brexit' (Time, 2017; The Independent, 2017). Previously, the Netherlands Bureau for Economic Policy Analysis (CPB, 2016a) had already concluded that the Dutch economy would be comparatively hard hit by a Brexit in view of the relatively close ties between the UK and the Netherlands. The CPB worked out various scenarios and in its worst-case scenario, the related costs for the Netherlands could eventually rise to 1.2% of Dutch GDP or €10 billion. In the absence of a new trade agreement, the standard rules of the World Trade Organisation (WTO) will be applicable to trade between the UK and the EU. According to CPB (2016a), the highest production losses in that case would be in the food-processing, chemical, plastics and rubber, electronic equipment, transport equipment, and metals and minerals industries.

The previous chapters presented an outline of the gross trade in goods and services between the Netherlands and the UK. In this fourth and final chapter, we go one step further by focusing on the net value of trade with the UK. In other words, how much value added is created by Dutch exports to the UK after deduction of all costs of imported raw materials, intermediate and semi-finished products? Another interesting question is in which Dutch sectors this value added is generated and how it has developed. As indicated in chapter 3, Dutch goods exports to the UK are dominated by the wholesale sector and the manufacturing and energy sector. Top sectors in export of services are transportation, IT and business services as well

as manufacturing and energy. These exporters take up a position at the end of the value chain, but are rarely the only businesses to contribute to the production process; ancillary or supporting industries contribute as well. This chapter takes a look at the entire production chain preceding exportation to the UK. By taking into account the interconnectedness and interdependence between the various Dutch sectors involved in these exports, we will obtain the clearest possible picture of the interwovenness with the UK. We do so by examining the following research questions:

1. What is the value of Dutch exports and of direct exports to the UK in particular?
  - a. Type of exports: how do revenues from exports of Dutch-made goods, re-exports and services compare?
  - b. Development: how has the value added created by exports to the UK developed over time?
  - c. Composition: what are the proportions between revenues in trade with the UK versus other trading partners?
2. Composition of the value added:
  - a. Sectors: which sectors generate the highest revenues in exports to the UK?
  - b. Type of exports: are these revenues generated by own exports, re-exports or service exports?
  - c. Activity: do we see mainly direct export revenues in some sectors and mainly indirect revenues in other (supplying) sectors?
3. How many jobs in the Netherlands are created by direct exports to the UK?
  - a. Development: is there an increase in number of jobs created by exports to the UK?
  - b. Sector: where is the highest number of jobs (FTE) related to exports to the UK?

The above research questions all pertain to direct exports of goods and services in direct trade with the UK. In addition, the Netherlands exports goods and services to other countries for further processing before they are exported to the UK. This is another form of revenue from trade with the UK. The volume of this goods flow is also indicated in this chapter.

This chapter is structured as follows: section 4.2 describes which data and method were used. Research question 1 and sub-questions are elaborated in section 4.3. In section 4.4, the value added by exports to the UK is broken down by sector, showing how it is composed (research question 2). Employment linked to exports to the UK is the key topic in section 4.5 and is also broken down further by sector and composition. Chapter 4 ends with a conclusion.

## 4.2 Data and methods

The central question in chapter 4 is how vital exports to the UK are to the Dutch economy. This is quantified by showing the value added in exports to the UK and offsetting this value against aggregate Dutch export revenues. How Brexit and its consequences will affect the Dutch economy – for instance, through a decline in exports to the UK – is still unclear. Many research data and statistics over reporting year 2016 – the year of the referendum – have not yet become available, but also the future relationship between UK and EU remains unsettled.

The contribution of these exports to the Dutch economy may be quantified using input-output analysis and aggregated macrodata from the Netherlands' national accounts. Input-output analysis is used for instance to attribute expenditure on primary inputs and production factors, for example the costs of goods and services produced elsewhere (imports) and labour, capital and business operations (production factors) to national final expenditure (consumption, exports, government). Intermediate deliveries between sectors are identified, and dependencies in value chains can be exposed. Which ancillary sectors are crucial for the output of a particular sector? How many extra inputs and production factors are required – by the sector itself as well as by the ancillary sectors – if the output of sector *x* is increased by 1 euro? If a baker wants to bake one extra loaf of bread, he needs more of the ingredients (flour, milk, yeast and water). The agricultural sector is required to produce more to meet the baker's increased demand. An input-output table gives an overview of the production structure for all Dutch economic sectors, broken down by intermediary consumption and final sales (Miller and Blair, 1985). It also contains data on the use of imports, the value added and the sales generated in each sector. Using the so-called Leontief inverse, it is possible to determine the output required from each sector in order to meet final demand (from consumers, government, exports) as well as demand for intermediate products from other sectors, given a certain final demand. See for example Miller and Blair (1985) for more background information on input-output analysis and its applications. Input-output analysis methodology is widely accepted in scientific circles (Eurostat, 2015).

Using the input-output table method, it is possible to calculate the value added generated in each sector due to intermediary supplies and final sales. Final sales (by the Netherlands) include sales to consumers abroad, for example exports<sup>1)</sup>. In this edition of the Internationalisation Monitor, we focus on exports to the UK.

<sup>1)</sup> Regardless of whether these exports are intended for the British consumer or processed into new products and re-exported to another country by the British manufacturing industry.

We follow the method described in Lemmers (2015a). Using input-output analysis we can assess how much value added is generated by each industry in meeting demand from the UK, both by satisfying final demand as well as intermediate demands from ancillary industries (including suppliers of suppliers, etc.). Analogous to this method, we can also estimate the number of jobs created by the production of these exports.

Gross export data in this chapter differ from the data as presented in previous chapters. This is because the primary focus of the source statistic, International Trade in Goods, is different from that of the National Accounts. In the source statistic on international goods trade, the main focus is on goods crossing borders; goods are only included in imports and exports if they were physically present in the Netherlands. In the National Accounts – and as described in this chapter – the economic ownership of goods is the primary focus. Here, exports include the supply of goods by residents of the Netherlands to parties abroad, even if the goods have never been on Dutch soil or crossed Dutch borders.

Continuing on from previous publications on Dutch trade revenues in exports to the UK (CBS, 2016d; CBS, 2015b), this chapter arrives at an assessment of the *direct* value added in exports to the UK, as well as an indication of *indirect* export revenues. For example, when Dutch natural gas is exported to Belgium and used as energy source by a Belgian factory which produces cars and exports them to the UK, then the Netherlands is earning indirectly from exports to the UK. These indirect export revenues have been quantified using data obtained from the World-Input-Output-Database (WIOD; Timmer, 2012). The textbox below section 4.4 lists Dutch revenues from *indirect* exports to the UK, on top of *direct* export revenues.

## 4.3 Dutch export revenues

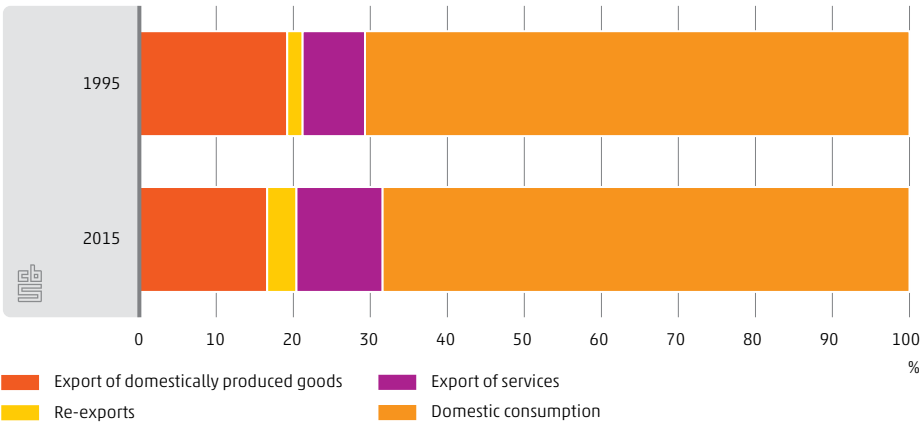
### Total export revenues

In 2015, the Netherlands exported goods and services to an aggregate amount of approximately €561 billion (CBS, 2016i). Of this amount, around €214 billion remained in the Dutch economy in the form of value added. This is equivalent to about 32% of GDP (Figure 4.3.1). This share has grown slightly over the past 20 years; in 1995, exports accounted for 29% of GDP. In 20 years' time, the Netherlands has become somewhat more reliant on exports for its prosperity. The said increase (in value added) is mainly on account of rising revenues in service



exports and re-exports. Average net earnings per euro of re-exported goods are 11 euro cents, versus 57 euro cents per euro of domestically produced goods and services. The Netherlands earns less per euro from exports of domestically produced goods than two decades ago, partly due to rising consumption of imported raw materials and semi-finished products.

4.3.1 Composition of GDP, 1995-2015



The continued rise of the ‘service economy’ becomes evident when looking at the Dutch export package (Lemmers, 2015b). Gradually, the Netherlands’ position in global production processes has shifted from producer of goods to provider of services. In the period 1995 to 2010, nearly 80% of Dutch exports consisted of goods; by 2015, this share had declined to 76% in favour of services exports. Providing (intangible) services is often more labour intensive than manufacturing (tangible) products. Moreover, in the production of goods, imported semi-finished goods and raw materials may be used, whereby a portion of the value added ends up in foreign hands. In the services trade, the ‘product’ is often less separable into segments, which means the value added it creates passes through fewer hands.

Revenues from exports to the UK

Table 4.3.2 shows the composition of the Dutch export package and more specifically the exports to the UK. In 2015, the aggregate value of Dutch goods and services exported to the UK stood at €52 billion, versus €39 billion in 2010. In both years, around 9% of Dutch exports went to the UK. Over three-quarters consist of goods exports; service exports occupied less than one-quarter. Key export products

for the British market include smartphones, medicaments, computers, petrol, diesel and other refined petroleum products (see chapter 2 for more details on the trade package).

The ratio between goods and services in these exports to the UK has remained fairly stable in recent years. However, there has been a notable shift from a relative decrease in exports of Dutch-made goods towards a volume increase in re-exports (in both absolute and relative terms). Between 2010 and 2015, re-exports to the UK grew by nearly €8 billion to €23 billion, for example almost 60% of total goods exports. These included for example clothes from Turkey going to the UK via Dutch intermediaries. Such goods are initially imported but are barely processed before being exported to the UK, yielding a relatively low revenue per euro for the Netherlands, but nonetheless representing considerable revenue given the sheer volume of re-exports.

#### 4.3.2 Gross export value of Dutch exports, aggregate and to the UK (2010-2015)

	Total exports		Exports to the UK	
	2010	2015	2010	2015
	<b>Bn euros</b>			
Gross exports	458	561	39	52
of which				
export of goods	360	427	30	40
of which				
domestic goods exports	172	198	15	17
re-exports	189	230	15	23
export of services	97	134	9	13

Despite relatively stronger growing re-exports to the UK, plus the fact that the Netherlands earns less from re-exports than own exports, total export sales to the UK still went up, as shown in table 4.3.3. In 2015, total Dutch export revenues in goods and services trade amounted to around €214 billion, with nearly 10% – €21 billion – earned from exports to the UK. This stood at over 9% – €17 billion – in 2010. It can be said that British demand for Dutch products and services is an important and stable source of revenue.





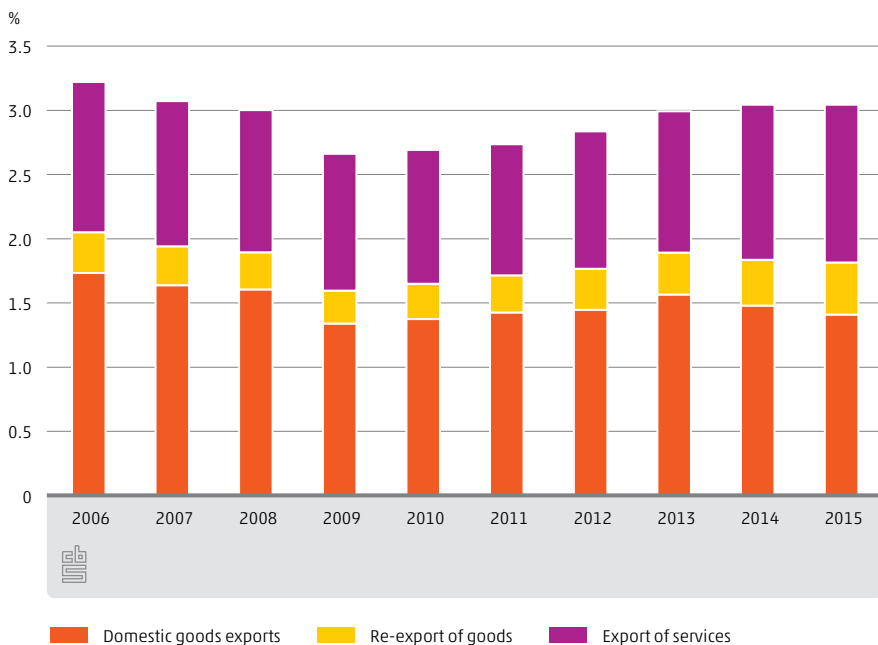
# 21,000,000,000

Dutch value added in exports to the UK in 2015

#### 4.3.3 Dutch value added in exports, total and to the UK (2010-2015)

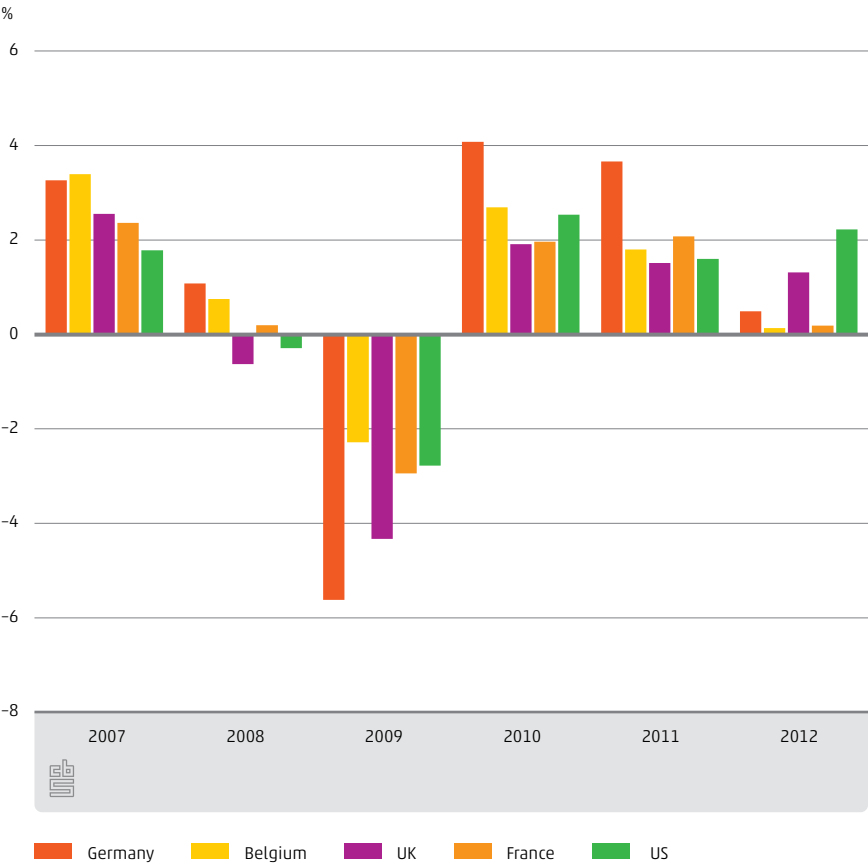
	Total exports		Exports to the UK	
	2010	2015	2010	2015
	<b>Bn euros</b>			
Gross exports	182	214	17	21
of which				
export of goods	121	138	10	12
of which				
domestic goods exports	101	113	9	10
re-exports	21	26	2	3
export of services	60	76	7	8

#### 4.3.4 Contribution to GDP of Dutch export revenues in trade with the UK



As reported previously by CBS, the sale of goods and services to the UK contributed 3% to GDP in 2015 (CBS, 2016d). In terms of export revenues, the UK is the second largest trading partner for the Netherlands, after Germany but before Belgium. Dutch exports to the UK include a relatively large volume of services, generating a higher value added than in the case of Belgium. Figure 4.3.4 shows the relevance of the UK to Dutch GDP over the past ten years. In 2006, the UK share was 3.2%, dropping to its lowest level (2.7%) in 2009 during the peak of the global credit crisis. The share went up again to around 3% over the next few years. Total Dutch export sales and thus export revenues dropped sharply in 2009, although not all trade flows were affected equally. Trade with China and Switzerland, for example, still saw a substantial rise in 2009. This could be related to the fact that the EU was rather severely hit by the global crisis in comparison with outside countries such as the US and China (Van den Berg & Jaarsma, 2016). Moreover, the British economy was struggling relatively hard during the time of crisis in comparison with other EU countries (Figure 4.3.5). Throughout these years, the share in total value added of Dutch exports to EU destinations and to the UK in particular declined compared to export destinations outside the EU.

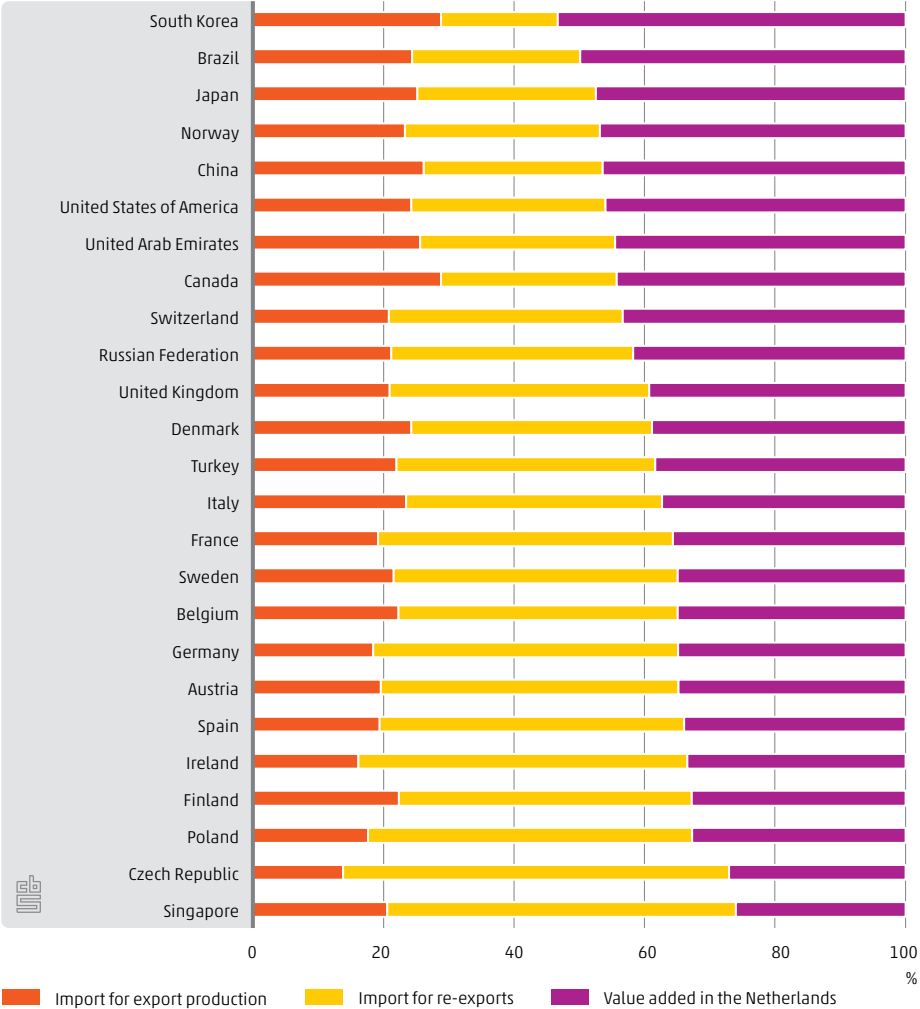
### 4.3.5 GDP growth of main trading partners, 2007-2012



## Comparison between countries

The size of Dutch export revenues in bilateral trade is determined by the volume of exports ('volume is value') but also by the composition of the export package. Our country earns relatively more from goods which are primarily produced in the Netherlands, as well as from export of services; revenues are comparatively lower in re-exports. Examples of high value added products are machinery and machine components, natural gas and high-grade plastics (CBS, 2017b).

### 4.3.6 Composition of one euro worth of exports to top 25 trading partners, 2015



Dutch exports to Germany generate the highest revenues (CBS, 2016i; 2016j). In 2015, these exports represented a net domestic value of €42 billion for the Dutch economy. In second and third place are the UK and Belgium with a net worth of €20.5 billion and €17.9 billion respectively. The domestic value added per euro of exports worked out to an *average* of 38 euro cents in 2015. This was slightly higher in exports to the UK, namely 39 euro cents. Figure 4.3.6 lists the top 25 trading partners in terms of net value added per euro of exports. This shows that exports to South Korea generate the highest value added per euro, with more than half of gross export revenues contributing net worth to the Dutch economy. Similar levels are found in exports to Brazil, Japan, Norway and China. Countries at the bottom of these rankings include Singapore, the Czech Republic and Poland, countries with a relatively greater percentage of re-exports.

## 4.4 Composition of revenues

The previous section discussed the value added contributed to the Dutch economy by British demand for Dutch goods and services. The next section explores the sectors which play a major role in this contribution.

### Export revenues by sector

Table 4.4.1 lists the sectors involved in the highest earning exports to the UK. Not surprisingly, wholesale trade ranks on top as the majority of goods enter and leave the Netherlands through this sector. Wholesale trade and commission trade together account for roughly one-sixth – €3.4 billion – of total Dutch export revenues in trade with the UK. Since wholesale trade does not produce its own goods, revenues are mainly ‘indirect’ as payment for services (storage, packaging or repackaging of goods) or as profits and margins made on these exports. The value added contributed by the production of goods which are exported by wholesale trade is allocated to the manufacturing industry. In the example of a Dutch horticultural producer who sells his peppers through a wholesaler rather than exporting them to Germany directly, the value added earned in the production of these peppers is allocated to the producer whereas the wholesaler merely gets the wholesaler’s margin. Interestingly, nearly half of revenues from wholesale exports to the UK come from re-exports: over €1.5 billion in 2015. This makes wholesale trade the highest earning sector in re-exports to the UK.

Three out of the five sectors generating the highest value added in exports to the UK are service providing or trade related. In second place are inland carriers, with revenues slightly under €1.1 billion in exports to the UK. This amounts to almost 14% of their total export revenues, making their dependence on exports to the UK higher than average. Carriers earn most of their revenues in service exports to the UK; Dutch freight forwarders taking goods to the UK (or another country) on behalf of British companies, for example. The export of goods made in the Netherlands is another source of revenue for carriers. These are largely indirect revenues, for example Dutch carriers forwarding goods to the UK on behalf of Dutch companies.

In 2015, oil and gas exploration and production companies earned over €1 billion from the export of goods and services to the UK. Of this amount, 60% was earned in goods exports, such as petroleum products or natural gas, and the remaining almost 40% on account of services delivered to the UK. These include services related to oil or gas exploration (drilling platforms) at sea or export pipelines. Only a fraction is being made in re-exports. This sector is dominated by a number of large multinationals, which therefore play a major role in this trade with the UK.

Holdings and management consultancies earn over €1 billion in exports to the UK as well. Here, the distinct focus is on service exports. Agriculture completes the top 5 of highest-earning sectors in exports to the UK. In this sector, British market demand generates around €975 million or well over 11% of total agricultural export revenues. This is mainly the export of home-grown products, a top revenue source in this sector.



**11%** of total revenue from agricultural exports thanks to exports to the UK

#### 4.4.1 Top 20 highest earning sectors in export of goods and services to the UK, by sector (2015)

	Value added exports	of which			Share UK in total value added of exports by sector
		export of domestically produced goods	re-exports	export of services	
	Million euros				%
Total	20,595	9,527	2,758	8,310	9.7
Wholesale trade and commission trade	3,406	1,370	1,558	478	9.0
Road transport	1,089	210	146	733	13.7
Extraction of petroleum and natural gas	1,055	636	8	411	10.7
Holdings and management consulting firms	1,052	301	116	635	9.1
Agriculture	975	928	7	40	11.2
Temporary work and job placement agencies	826	387	84	355	9.7
Food products	799	741	12	46	10.2
IT services	762	140	53	569	9.5
Storage, transport services	745	175	97	473	9.6
Banking	722	215	50	457	10.6
Chemical industry	682	624	11	46	7.6
Architectural and engineering firms, etc.	433	63	20	350	16.1
Electrical industry	397	356	13	29	12.3
Legal services and administration	369	124	46	198	9.9
Machinery industry	356	312	14	31	5.3
Water transport	350	23	19	307	12.4
Rental of and trade in real estate	334	112	45	177	9.5
Telecommunications	333	40	16	277	18.4
Car dealers and repair services	284	106	89	88	10.4
Power companies	278	221	8	49	13.2

The top 20 of highest earning sectors naturally includes relatively many (auxiliary) service providers. Banks, temporary work agencies and IT service providers are uniquely positioned to facilitate 'doing business' by providing access to capital, staff or know-how, for example. Architectural and engineering firms are strikingly dependent on the UK market for export revenues; almost 16% of their export earnings (€433 million) are related to the UK, mainly including services. Likewise, the telecommunications sector depends to a large degree on British demand for its services. As mentioned in chapter 3, the sectors transport and information and communications together account for the highest value proportion in service exports to the UK. Almost one-fifth of export revenues in these sectors are related to the UK.

#### 4.4.2 Composition of value added in exports to the UK, 2006–2015

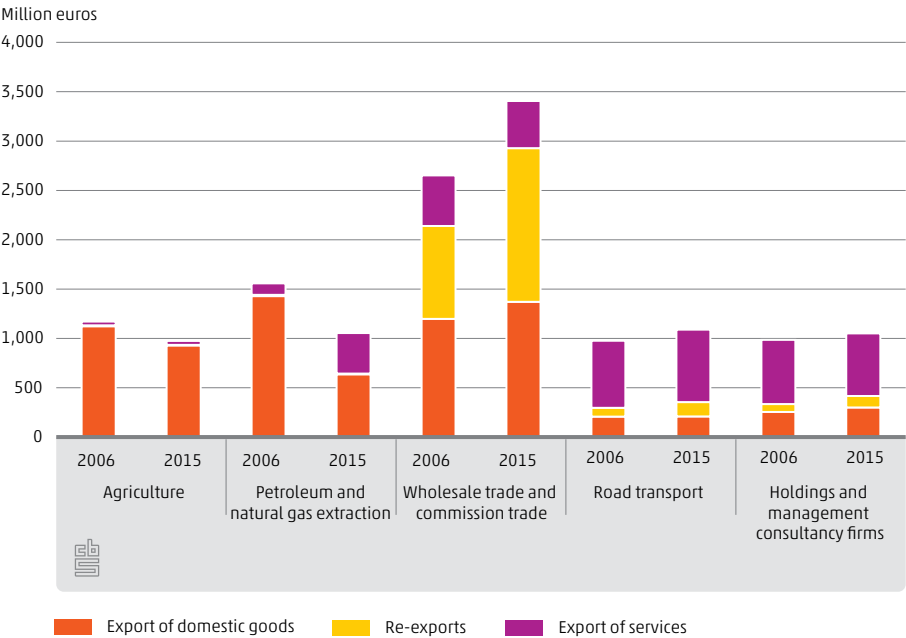


Figure 4.4.2 shows the development of export revenues related to the UK for the top five highest-earning sectors. Over one decade (2006–2015), revenues fell in the Dutch agricultural sector from over €1.1 billion to below €1 billion. More than 90% of that revenue was generated by Dutch-produced goods. Meanwhile, the value added in oil and gas exploration and production relating to exports across the Channel fluctuated considerably, with revenues ending below the level in 2006. This is likely related to the sharp fluctuations in prices of crude oil and other fuels, as well as the reduced gas supply from Groningen (CBS, 2016k). More notably, we see (revenues from) exports in this sector shift in the direction of service exports. Whereas in 2006, over 90% of export revenues in this sector were related to export of minerals extracted in the Netherlands, this share was just 60% in 2015. The sector started earning more from (direct) export of services related to mineral extraction and increasingly less from the export of Dutch-produced goods.

The wholesale and commission trade sector recorded strong growth in UK-related export revenues. With an increase of €754 million, wholesale trade is the sector with the sharpest rise. As could be seen in table 4.3.3, re-exports towards the UK have grown. In particular wholesale and commission trade have benefited from this growth.

Inland transport companies as well as holdings and management consultancies each earned approximately €1 billion in revenues from exports to the UK, with the bulk constituted by service exports.

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## Indirect export revenues in trade with the UK

This chapter discusses Dutch export revenues in trade with the UK and their contribution to the Dutch economy; an approach which is based on direct exports, regardless of whether or not these goods and services are consumed in the UK. However, a part of Dutch export trade is intermediary input to the UK and will thus become part of British exports.

In addition, there are indirect revenues for Dutch businesses from their export of products to other countries where they are processed and then exported to the UK for consumption. We need supplementary data to map out these indirect dependencies, in order to answer the question how much revenue the Netherlands earns from final consumption in the UK (rather than from direct exports to the UK, as is done in this chapter). This involves finding out the volume of exports from other countries to the UK, and the volume of imports from the Netherlands required in these exports. To this end, we make use of the multiregional input-output model (MRIO). The widely used World-Input-Output-Database (WIOD; Timmer, 2012) is taken as a starting point for this analysis to show direct and indirect dependencies between countries and sectors.

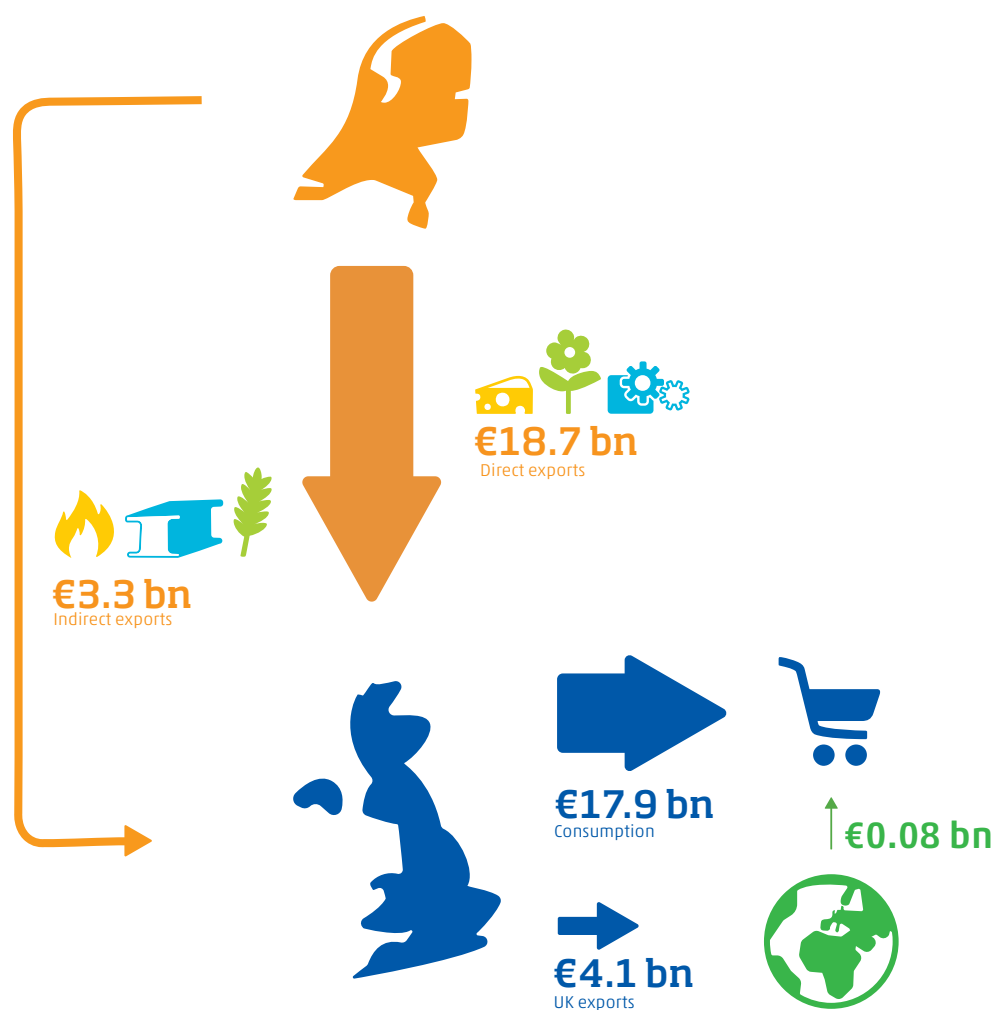
Inevitably, in compiling the MRIO the alignment with the national accounts of the individual countries must be abandoned in order to interconnect the data of all countries involved. In order to conduct analyses based on MRIO tables which are consistent with the Dutch national accounts, CBS has developed a method which entails 'securing' the Dutch data and subsequently adjusting the data of the other (40) countries to the Dutch data.<sup>1)</sup> This process is explained in Edens et al. (2015), where it is applied in the calculation of *carbon footprints*. At the time of writing the most recent MRIO tables which were made consistent referred to the year 2009. The calculation method used there is not substantially different from that of calculations used for this chapter.

The results of the analysis using MRIO tables with consistent data are presented graphically in the infographic. The thick orange arrow between the Netherlands and the UK indicates the size of total revenue from Dutch direct export of goods and services to the UK (for example cheese, flowers, machinery). In addition, the Netherlands earns revenue from exports via one or more intermediate countries,



represented here by the thin arrow from the Netherlands going to the UK with a detour. For example, Dutch natural gas exported to Germany and used in the manufacturing of German cars which are then exported to the UK. Another example are Dutch businesses importing fodder from Brazil in order to process it and export it to Germany, where it is used as feed for livestock which is subsequently exported to the UK. In that case, the Netherlands (and Brazil to an equal extent!) forms part of the value chain and the Netherlands earns indirect revenue from the German export of meat to the UK.

Dutch export revenues in trade with the UK in 2009



Source: WIOD and own calculations.

In 2009, the Netherlands earned approximately €3.3 billion from such indirect exports to the UK. This was equivalent to 15% of total export revenues in Dutch trade that year with the UK (worth €22 billion).<sup>2)</sup> The blue arrows illustrate what happens with direct and indirect exports from the Netherlands upon arrival in the UK. Most goods and services (€17.9 billion) are consumed in the UK, as indicated by the 'shopping trolley'. A small portion is used in manufacturing for own exports, or is exported entirely to other countries (€4.1 billion). This is the thin blue arrow. A minor portion in these British exports (€76 million), which include a Dutch contribution, is re-imported into the UK for eventual final consumption. This is represented by the thin green arrow at the far right.

**T2 Share of industry sectors in indirect revenues from exports to the UK, 2009**

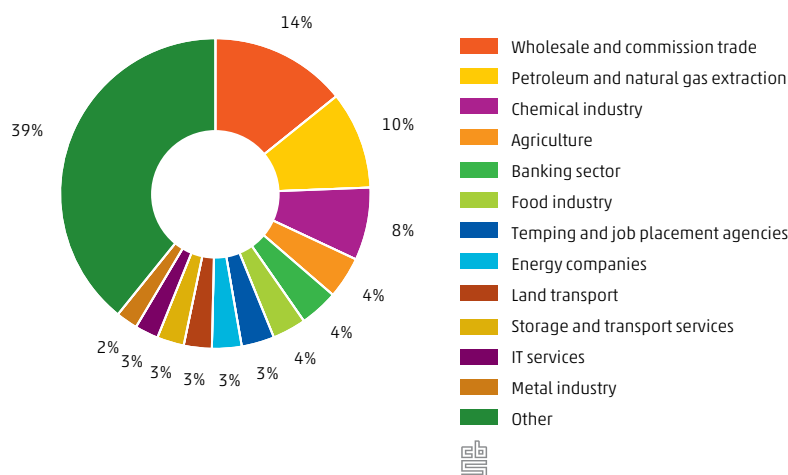


Figure T2 shows which sectors have the highest revenues from indirect exports to the UK in relative terms. As in the case of direct exports, the sector wholesale and commission trade has the largest share in revenues (14%) from indirect exports to the UK. Other sectors with larger shares include the chemical, metal and food industries. These sectors manufacture not only end products, but also intermediate products which serve as input for other production processes. Indirect export revenues are also relatively high in the banking sector as well as the sector temporary work agencies.

<sup>1)</sup> This is referred to as the SNAC method. SNAC stands for Single-country National Accounts Consistent.

<sup>2)</sup> Due to data limitations, there is currently no method available to calculate the development of this share over time.

# 4.5 Jobs in the Netherlands due to exports to the UK

Aside from creating value added and prosperity, exports also generate employment. In 2015, Dutch exports of goods and services accounted for 2 million full-time jobs or nearly 30% in the total volume of labour. Almost 10% of these 2 million FTEs is directly connected with exports towards the UK. This equals nearly 200 thousand working years in 2015. In recent years, employment in exports towards the UK has declined slightly, from 208 thousand working years in 2006 (equivalent to 11% in the volume of labour due to exports).

The majority of jobs created by exports to the UK are in the export of domestically produced goods. The number of related jobs saw a relative decline from over 104 thousand FTEs in 2006 to 90 thousand FTEs in 2015. Conversely, growing re-exports to the UK provided more jobs relative to 2006. Despite growth in service exports to the UK between 2006 and 2015, the number of jobs associated with these exports remained virtually stable.

## 4.5.1 Employment developments due to exports to UK, 2006-2015

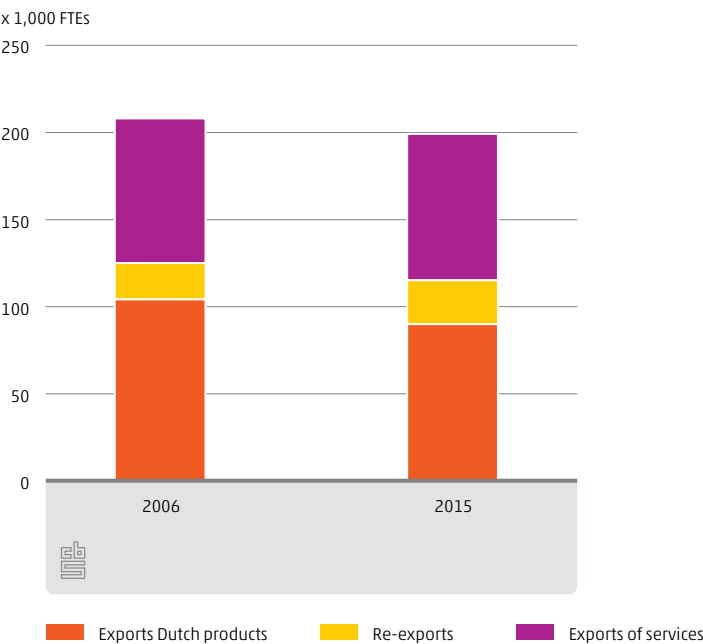


Table 4.5.2 shows which sectors are responsible for these full-time jobs in exports to the UK. Here as well, services and ancillary sectors are high on the list. Wholesale and commission trade take the top spot with nearly 14% of this labour volume, equivalent to 27 thousand FTEs or more than 6% of employment in the wholesale sector. Most of these employees work in goods rather than service exports.

The second largest job providers are temporary work and job placement agencies with 19 thousand full-time jobs linked to exports towards the UK, constituting a 4% share in the total number of full-time jobs provided by this sector. Relatively few temp jobs are found in re-exports; most employment is related to export of Dutch-produced goods as well as services.

Exports to the UK are relatively more important in the sector agriculture with a share in employment of 9%. Almost 1 in 10 full-time jobs in the agricultural sector are linked to exports into the UK, equivalent to 14 thousand full-time jobs and almost exclusively in export of domestically produced goods.

#### 4.5.2 Top 20 sectors with largest labour volume due to exports to the UK (2015)

	Share FTEs of which due to exports to the UK				Share in total employment
		export of Dutch products	re-exports	export of services	
	x 1,000	%			
Total	199	45	13	84	3
Wholesale trade and commission trade	27	41	45	14	6
Temp agencies and job placement services	19	47	10	43	4
Agriculture	14	95	1	4	9
Road transport	13	20	13	68	8
Holdings and management consulting firms	9	29	10	61	5
IT services	8	18	7	75	5
Food products	7	93	1	5	7
Storage, transport services	5	26	13	61	6
Architectural and engineering firms, etc.	5	16	5	80	5
Retail trade (excluding car dealers)	5	27	22	51	1
Legal services and administration	4	34	12	54	3
Car trade and repair services	4	38	30	32	3
Mail and courier services	3	6	3	91	9
Metal products	3	77	5	17	4
Banking	3	20	4	76	3
Cleaning services, gardening services, etc.	3	40	11	49	2
Other business services	3	31	9	60	6
Machinery industry	3	88	4	9	4
Chemical products	3	92	1	7	7
Specialist construction activities	3	30	7	63	1
Electrical industry	2	90	3	7	10

Likewise, the road transport sector provides relatively many jobs in exports to the UK with a share of 13 thousand jobs or 8% of employment; service exports account for over two-thirds of related employment.

Outside the top 20, 'water transport' is the 28<sup>th</sup> largest job provider with 2 thousand full-time jobs in exports to the UK. This is more than 10% of all full-time jobs in this sector, making the UK a relatively large job provider. A similarly large share is seen in the electrotechnical industry. There as well, more than 10% of jobs are created by British demand for Dutch-made goods in particular.

## 4.6 Conclusion

In 2015, the Netherlands earned almost €21 billion from (direct) exports to the UK, an amount which represents one-tenth of total value added in Dutch exports. The highest earning sector is wholesale and commission trade with €3.4 billion in exports to the UK, accounting for one-sixth of aggregate export revenues. Wholesale trade has furthermore seen these revenues rise since 2006, partly on account of growing re-export flows. Second is road transport, earning up to €1.1 billion in direct exports to the UK, followed by oil and gas exploration and production companies. The top five is completed by holdings and management consultancies and the sector agriculture.

Dutch export revenues have risen in recent years, exports to the UK included. How and why this value added is generated is different for each sector. Wholesale trade has seen revenues from exports to the UK rise, partly due to increased goods exports. In agriculture, revenues from exports to the UK (mainly of domestically produced goods) have fallen marginally compared to ten years ago. In addition, oil and gas exploration companies have seen a fall in (total) revenues from exports to the UK relative to 2006, but have acquired a larger share in service exports to the UK. Inland freight forwarders and holdings and management consultancies owe the larger part of their revenues in exports to the UK to the production of export goods and services by other sectors.

Aside from direct exports, another revenue source for the Netherlands comes from other countries exporting goods and services to the UK (indirect exports). The Netherlands supplies raw materials and intermediate goods and services which are processed in the manufacturing of products for the UK elsewhere in the world. As the Netherlands is thus included in the value chain which ends in the UK, this

means it earns revenue from exports to the UK indirectly. According to World-Input-Output-Data over 2009 which have been made consistent with Dutch data (SNAC-WIOD), the Dutch economy gained €3.3 billion in indirect exports to the UK. This amount is 15% of *total* export revenues for the Netherlands in trade with the UK in 2009. The highest returns in these indirect exports to the UK are seen in the sectors wholesale and commission trade, oil and gas exploration and production as well as the chemical industry.

Not only do exports create value added for an economy, they also create employment. In 2015, almost 30% of all full-time jobs in the Netherlands (2 million jobs) were linked to the export of goods and services, of which 10% were linked to the UK. The number of full-time jobs in exports to the UK has declined marginally relative to 2006.

People employed thanks to exports to the UK often work in the sector wholesale and commission trade. The second largest job providers are temporary work and job placement agencies with 19 thousand FTEs, or 4% of all jobs in this sector. In agriculture, nearly 1 in 10 full-time jobs are associated with Dutch exports to the UK. Road transport also provides a fair amount of related employment, with 13 thousand FTEs or 8% of all jobs in this sector created by exports to the UK.

# Glossary

## **Balassa index**

A measure of 'revealed comparative advantage' of a country's exports at product level. The Balassa index measures the degree of specialisation of a country's export product by comparing its share in the country's total exports to the share of the same product in another country's (or region's) exports.

## **Consumer confidence**

The indicator providing information on the confidence and expectations consumers have about developments in the Dutch economy. Together with the component indicators economic climate and willingness to purchase, these contribute to the prediction of short-term fluctuations in the consumption by private individuals, particularly about the demand for and purchase of durable consumer goods.

## **Direct and indirect exports**

Direct exports are direct exports of a business sector to other countries. Indirect exports of goods and services refer to exports carried out via another business sector, or via a third country.

## **Dutch goods exports**

Export of goods made in the Netherlands, for example after production in the Netherlands, or export of foreign goods from the Netherlands after significant processing; the latter taking into account the extent of alteration of the related statistical commodity code. Dutch aggregate exports are comprised of Dutch goods exports and re-exports.

## **Dutch non-financial business economy**

The Dutch General Business Register (Algemeen Bedrijvenregister, ABR) makes use of the Standard Industrial Classifications (SIC) to classify business units by their primary activity. The Dutch non-financial business economy comprises all companies included in SIC sections B up to and including N excluding K, plus S95. This category is composed of the following industry sectors:

- B Mining
- C Manufacturing industry
- D Generation and distribution of and trade in electricity, natural gas, steam and cooled air
- E Extraction and distribution of water; waste and waste water treatment
- F Construction
- G Wholesale and retail trade; automotive repairs

- H Transport and storage
- I Provision of accommodation, meals and beverages
- J Information and communication
- L Rental of and trade in immovable property
- M Consultancy, research and other specialist business services
- N Rental of movable property and other business services
- S95 Repair of consumer articles

### **Economic growth**

Volume growth of the gross domestic product.

### **Economic sentiment indicator**

The economy-wide sentiment indicator measures the economic sentiment among entrepreneurs and consumers in the economy. The indicator is made up of component sentiment indicators in the following sectors: manufacturing industry, services, retail trade and construction, as well as in the area of consumer confidence. See also under consumer confidence and producer confidence. The indicators are easily comparable among all EU member states due to the harmonised form of data collection.

### **Employee**

A person who has reached an agreement under an employment contract with an economic entity to perform labour which is compensated by financial rewards.

### **Entrepreneur**

A person who works for his/her own account and risk in an own company or practice (self-employed entrepreneur) or as owner of a company who is on the payroll of the own company as a director (owner-manager).

### **Foreign control**

An enterprise is classified based on the country where ultimate control is exercised. Control rests with the Ultimate Controlling Institutional unit (UCI). The UCI is defined as the company higher up in the control chain which includes the Dutch affiliate and which is not under control by any other institutional unit. Foreign control means the country of residence of the UCI is not the Netherlands.

### **Foreign direct investment (FDI)**

A company with direct investments from abroad, made by a foreign investor owning at least 10% of the ordinary share capital or voting rights or the equivalent thereof. The investments must pertain to vested interests and be designed to acquire a substantial controlling interest in the company management. Foreign



direct investment comprises share capital, participating interests in group companies abroad and lending operations.

### **GDP (Gross Domestic Product)**

Measure for the size of an economy. GDP is calculated from the sum of the monetary value which is added by businesses, private households and governments to the goods and services they need in a production process. This sum is known as the value added 'at basic prices'. To obtain GDP 'at market prices', taxes and subsidies on products as well as the difference between VAT charged and VAT paid are added in net total.

### **Goods exports**

The supply of goods by residents of a given country (in this case: the Netherlands) from their economic territory to another country. In this book these may be goods which were produced or manufactured in the Netherlands, but also initially imported goods. In the Dutch National Accounts, the value of exported goods is measured FOB, "free on board". This refers to the value of goods ex works increased with the trade margins and transport costs up to the border of the exporting country. Value as defined in the Dutch national accounts is therefore different from the export value as calculated in international trade statistics.

### **Independent SMEs**

Independent small and medium-sized enterprises (SMEs) in the Netherlands are all Dutch-owned enterprises with fewer than 250 persons employed at enterprise group level. The other SMEs have fewer than 250 persons employed but are either part of an enterprise group with 250 or more persons employed or form part of a foreign-owned mother company.

### **Inflation**

Inflation is the average increase in prices of consumer goods and services.

In the Netherlands, inflation is measured as the rise in the consumer price index (CPI) relative to the same period of the previous year. The consumer price index indicates price changes for an average basket of consumer goods and services as these are purchased by Dutch households. Inflation leads to devaluation, for example less can be bought for the same amount.

### **Input-output analysis**

By using input-output analysis, expenditure on primary inputs and production factors such as costs of goods and services not produced in the Netherlands (imports) and production factors (labour, capital) can be attributed to final uses

(consumption, exports, government). This produces an overview of intermediate supplies between industries and makes dependencies in value chains visible.

### **Labour year (FTE)**

A measure of labour volume, calculated by converting all jobs (full-time and part-time) to full-time jobs, also called full-time equivalents (FTEs). For example, two part-time jobs of 0.5 FTE each add up to a labour volume of one labour year.

### **Multinational corporation**

An enterprise with ultimate control over companies in at least two or more countries. CBS makes a distinction between Dutch and foreign multinationals. A Dutch multinational is a company under Dutch control with operations in other countries. A foreign multinational is a company of which ultimate control is exercised abroad.

### **National Accounts (NR)**

The system of national accounts is a quantitative description of all economic activity in a country and in its economic relations with other countries. The following parts are distinguished in this economic activity: production, income generated, income distribution, expenditure and capital. The national accounts form a cohesive and integrated whole, in which all variables are linked together in a consistent manner. The rules according to which a country's national accounts should be compiled have been defined in the System of National Accounts (SNA 2008). The version which applies to member states of the European Union is called the European System of National Accounts (ESR 2010).

### **Nationality**

Legal citizenship of one particular nation. This variable is based on the nationality data of a person as registered in the Dutch Municipal Records Database (GBA). A person may have more than one nationality. To avoid double counting, statistical datasets only allocate one nationality to people with multiple nationalities. This is done according to certain priority rules. In this publication, someone with British nationality is always considered British national in the statistics.

### **Person employed**

A person who is employed by a company or private household in the Netherlands. Persons employed include all those who perform paid labour regardless of the number of hours per week, even if they:

- perform labour which by itself is considered legal, but the registration of the rewards is withheld from the tax and/or social security authorities ('illicit employment');
- temporarily do not perform labour but do receive a reward (for example in case of illness or hold-ups due to frost);
- have taken unpaid leave of absence.

Persons employed can be divided into two types: employees and self-employed persons. They can either be residing in the Netherlands or be residing abroad.

### **Producer confidence**

Confidence indicator for the expected short-term developments in manufacturing production, based on assessments and expectations among entrepreneurs.

### **Re-exports**

Import of foreign-made goods which are hardly or not processed after their arrival, but are shipped out of the Netherlands again. During the time the goods are in the Netherlands, they become the (temporary) property of the Dutch company (as opposed to transit trade). Re-exports and Dutch goods exports together constitute the aggregate Dutch export figure.

### **Service exports**

Services supplied by residents of the country (in this case: the Netherlands) to another country. Service exports include the services carried out by Dutch transport companies abroad as well as port services, ship repairs and works carried out by Dutch contractors abroad. The exports further include spending by foreign tourists, border residents and diplomats in the Netherlands.

### **Special Financial Institutions (SFIs)**

Dutch-based subsidiaries of foreign corporations that act as financial intermediaries in foreign funding and, on own account, foreign investments. SFIs based in the Netherlands control holdings, royalties or film rights for the mother companies and/or form important links in the financing operations of the mother company in the case of mergers, acquisitions and capital increases. SFIs are characterised by their highly extensive income and equity transactions, which bear no relation to their productive activity in the Netherlands. SFIs are typically set up in the Netherlands for the benefit of tax reductions, either in the Netherlands or in the home country of the parent company.

**Transit trade**

Importing and subsequent exporting of foreign-produced goods which arrive and leave the Netherlands without any significant industrial processing. The goods remain in foreign ownership throughout handling in the Netherlands (as opposed to re-exports). Transit trade is not included in Dutch statistics on Dutch trade, nor in European figures on Dutch trade (Eurostat).

**Value added**

Value added is the difference between the total sales revenue and the total cost of components, materials and services purchased.

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