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Legal and economic obstacles in Dutch-Russian relations at the present time

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Abstract

This article covers the current state of Dutch-Russian economic and trade relations. The Netherlands and the Russian Federation are key trading partners. Nowadays the Netherlands is the second in the world and first in Europe Russia's most important trade partner and the second foreign direct investor, whilst Russia is the sixth most important economic partner of the Netherlands. Both countries actively cooperate in the energy, agriculture, transport and logistics sectors. Yet at present there are certain legal and economic difficulties that are an impediment to a more effective development of the Dutch-Russian economic relations. They are analysed in the article, and recommendations are given by the authors. In spite of the remaining difficulties, Dutch-Russian relations have great potential. For instance, in recent decades there have been many successful and profitable enterprises for both countries in the energy, agriculture, transport and logistics sectors. Moreover, Dutch and Russian companies and universities have begun cooperation in the field of innovation, research and development. Cooperation in high-tech sectors, such as life sciences, healthcare and information and communication technologies are increasingly becoming a key element in the bilateral economic relations, and it is important as well as beneficial for both countries to maintain and develop them.

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Keywords

International economic relations, trade partner, the Netherlands, Russia, export, Dutch-Russian relations, bilateral cooperation.

Introduction

Dutch-Russian trade relations originate in the distant past: they began to develop actively in the times of Ivan the Terrible, when Dutch merchants first came to Russian cities via the Northeast Passage. Later on Peter the Great greatly contributed to the development of trade cooperation between these two countries, and the period of his reign is rightfully considered an important milestone in Dutch-Russian economic relations.

Nowadays the Netherlands is the second in the world and first in Europe Russia's most important trade partner and the second foreign direct investor [Embassy of the Russian Federation..., [www](#)]. The Dutch economy specializes in producing high-quality and competitive products. The leading industries are gas and oil production, metalworking, chemical industry and electrical engineering. In turn, the Russian economy is heavily reliant on oil and natural gas exports, which intimately intertwines the economies of these two countries.

Main part

According to the Bank of Russia's annual report, the Netherlands is the second biggest importer of Russian goods, accounting for 43.5 billion USD (9.7%) of total exports in 2018 [The Central Bank of the Russian Federation..., [www](#)]. The export basket consisted mainly of mineral products (85.82%). Other exported goods included metals and items manufactured from them, food, agricultural commodities and chemical industry products.

Russia is the sixth most important economic partner of the Netherlands. Russian imports from the Netherlands amounted to 3.7 billion USD in 2018, and the total Russian-Dutch trade turnover amounted to 47.2 billion USD. The main items in the import basket were machinery, transport equipment and vehicles (40.80%), chemical industry products (29.40%), food and agricultural commodities (17.61%). Other imported goods included metals and items manufactured from them, textiles and footwear, mineral products, wood and paper products [CBS. Statistics Netherlands, [www](#)].

Since Russian trade flows are strongly based on the export of goods, in particular primary commodities such as fuels and raw materials, the Netherlands is an important trade partner, and maintaining mutually beneficial cooperation is essential for the economy of both countries.

However, we think that at present there are certain legal and economic difficulties that are an impediment to a more effective development of the Dutch-Russian economic relations.

First of all, these are economic sanctions. Due to the implementation of anti-Russian sanctions by European countries in 2014, the Netherlands suffered vast economic damage associated with the decline in trade and turnover with Russia. For instance, Dutch imports of food and livestock fell by 19.5% whilst exports fell by 36%. The implemented economic sanctions also significantly complicated the cooperation of Russian companies with Dutch partners. Moreover, Russian ban on European imports of agricultural products, including dairy products, fruits and vegetables, which was the response to the sanctions from the Russian side, was a serious blow to the Netherlands, which strongly damaged the economic foundation for cooperation of the two countries. Figures 1 and 2 show how drastically export and import volumes plummeted in both countries in 2015, which had been caused by the economic sanctions.



Figure 1 - Exports and imports of Russia

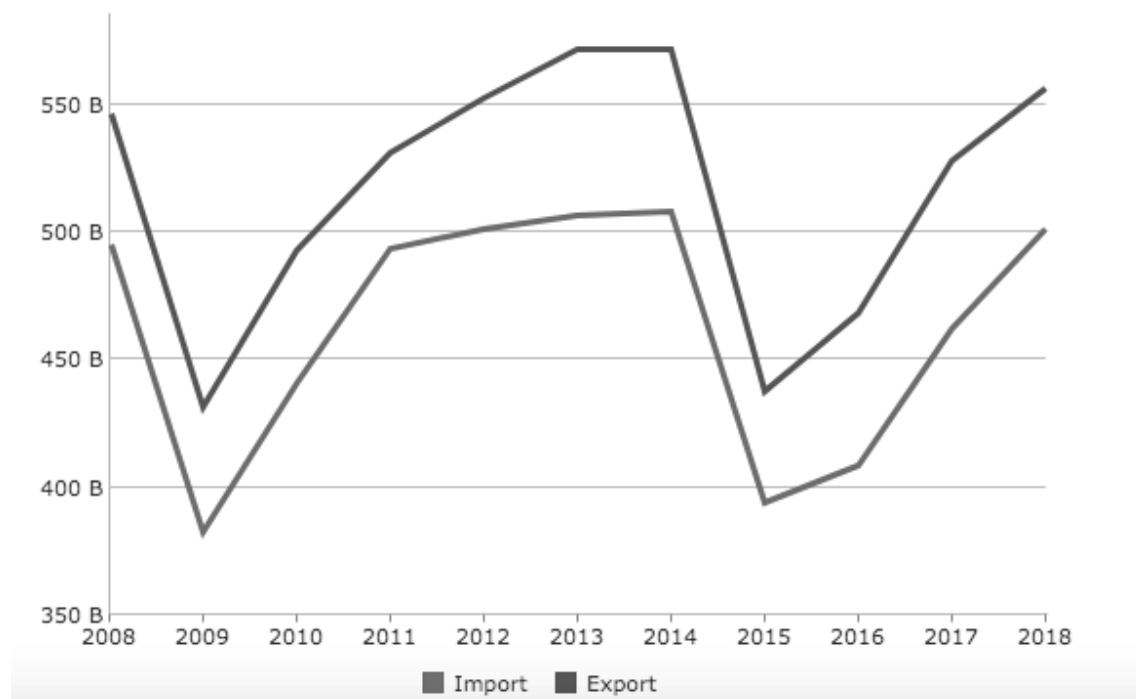


Figure 2 - Exports and imports of the Netherlands

An increased tension in diplomatic relations between the two countries is another obstacle for more effective trade and economic cooperation that goes hand in hand with sanctions. There is a certain wave of anti-Russian sentiment in the Netherlands partly owing to a reminiscent post-Cold war mentality and

partly owing to more recent events such as the arrest of a Russian diplomat in The Hague, the MH17 plane crash and the annexation of Crimea, whilst the Russian side, in turn, made accusations of fake news being spread in the Netherlands [TASS, [www](#)]. The continuation and normalization of the intergovernmental dialogue is an essential factor in the improvement of bilateral and economic relations between the countries.

Another important factor for maintaining more active economic and trade relations between countries is the improvement of the logistics infrastructure. The two main delivery methods are delivery by truck and by sea.

Yet delivery by truck is quite costly and lengthy. The majority of Russian transport companies do not have their own consolidation warehouses in the Netherlands, which means that most of the groupage cargoes initially have to make their way to consolidation warehouses in Germany. Despite the fact that it usually takes no more than 2 days, this method of delivery can be hardly considered economically feasible as the costs are too high (only the cost of delivering goods of a Dutch supplier to a warehouse in Germany is at least 300 euros) and the transportation will take approximately 16 days.

Sea container transportation from Dutch ports to St. Petersburg is considered the most profitable option for cargo transportation. Delivery can be made not only to St. Petersburg, but also to other ports located in the north of Russia. Without taking loading and unloading into account, such delivery takes about 2 to 3 weeks. Yet the main disadvantage is the fact that this delivery method is seasonal as the majority of Russian northern ports freeze in winter, which makes it impossible to deliver goods by sea until the ice has melted.

A possible solution to this problem is for Russian logistics and transport companies to open more warehouses in the Netherlands, which will accelerate the delivery dates and reduce the costs as delivery by truck is more favourable in winter months.

However, there are legal obstacles to that proposed solution. Those are the requirements to operate a warehouse in the Netherlands. Operating a warehouse falls under the transport company sector. This means that a so-called “Euro licence” is required before carriage of goods in vehicles with a loading capacity of 500 kg or more is allowed on Dutch roads [Overheid, [www](#)]. Before such a licence is granted, the company must meet the four requirements of establishment, creditworthiness, competence of employees and trustworthiness. Only having a warehouse is not enough to fulfil the requirement of establishment. There needs to be more substance and that is done by having a full-scale company in the Netherlands.

Creditworthiness is also a requirement that poses a barrier to trade, as the minimal starting capital is 9,000 euros. The minimal capital requirement increases per 5,000 euros with each extra vehicle after the first one.

The employee competence requirement is also quite hefty. The transport manager is supposed to pass six examinations to obtain the diploma of an entrepreneur that professionally transports goods by road. This transport manager is required to be permanently and actually managing the transport activities of the company. However, not every manager is required to have this diploma, but there is the lower limit of at least one transport manager with such a diploma within the company.

The requirement of trustworthiness is more of a formal requirement. It implies getting a certificate that the employees do not have a criminal record and that the company has had no criminal charges in the past.

These requirements largely coincide with the legal requirements for railway undertakings [ProRail, [www](#)]. The four requirements that an undertaking has to fulfil before it can operate on the European

rail network are: trustworthiness, creditworthiness, competence of employees and certain insurance requirements.

For railway undertakings, trustworthiness means that the undertaking has not been prosecuted for violations of custom law and labour law. A railway undertaking is deemed to be creditworthy when it has the financial capacity to fulfil all their financial obligations for the coming year. The requirement of the competence of employees is similar to the one for road transport companies. The requirement of insurance entails that each event has an insurance coverage of 10,000,000 euros. In short, the alternatives to transport by ship when the ports are frozen over face a number of legal obstacles.

On the other hand, there are also some legal obstacles for shipping goods from the Netherlands to Russia. Compliance with customs requirements is perceived as complex and time-consuming. Failing to comply with them will lead to significant delays and often comes with additional charges. A significant amount of products need a certificate of conformity before being imported to Russia. For the Netherlands especially, the certificate for agricultural and food products and transportation equipment and tools can be seen as a legal barrier to trade. Especially as the documentation requirements can also vary from importer to importer and customer to customer. The necessary documents can include pro-forma invoices, commercial invoices, bills of lading or airway bills, packing lists, certificates of origin, public health requirements and weights and measures of the products in question.

Another legal barrier to trade is that the foreign payment records of Russian companies is not always easily obtainable.

As the Netherlands is characterised as a knowledge-based economy, rather than a production-based economy, intellectual property law in Russia is also seen as a barrier to trade. While significant improvements have been made in this field, there are still steps to be taken. The Russian Supreme Court's 2019 Ruling № 10 "On the Application of the Fourth Part of the Civil Code" was a major step taken last year in the increased clarity in this field. Another major step in the past was the inception of Court for Intellectual Property Rights and Russia is a signatory member to several treaties concerning the protection of intellectual property rights.

To protect patents, copyrights or trademarks in Russia, they need to be registered. This has to be done sometimes even for those patents, copyrights or trademarks that are registered elsewhere. There is no automatic mutual recognition for Dutch and European intellectual property. A study done by the European Union shows that especially copyright piracy, in various sectors, is a barrier for trade with Russia [European Commission, [www](http://www.euro-ipo.europa.eu)].

Despite this, foreign economic cooperation between Russia and the Netherlands is one of the most advanced areas of bilateral relations. Over the past two decades, it has played a positive role in stimulating the transformation processes in the Russian economy, based on the basic principles and norms of the World Trade Organization, and has revitalized the trade flows of the Netherlands.

For the consistent development of trade and economic relations between the two countries, above all, it is important to normalize the dialogue both at the government level and along the line of business communities of the two countries [Makarov, 2018].

The potential key to making the Dutch-Russian trade and economic relations more active is facilitating the underlying trade processes and alleviating the occasionally excessive paper load. This will enable an increased efficiency of trade flows between the countries.

Another possible solution is entering mutual recognition treaties to simplify the process of registering intellectual property.

Conclusion

In spite of the remaining difficulties, Dutch-Russian relations have great potential. For instance, in recent decades there have been many successful and profitable enterprises for both countries in the energy, agriculture, transport and logistics sectors. Moreover, Dutch and Russian companies and universities have begun cooperation in the field of innovation, research and development. Cooperation in high-tech sectors, such as life sciences, healthcare and information and communication technologies are increasingly becoming a key element in the bilateral economic relations, and it is important as well as beneficial for both countries to maintain and develop them.

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Актуальные юридические и экономические препятствия в отношениях между Россией и Нидерландами

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Аннотация

Данная статья освещает текущее состояние нидерландско-российских экономических и торговых отношений. Нидерланды и Российская Федерация являются ключевыми торговыми партнерами. В настоящее время, как показывают авторы, Нидерланды – это второй в мире и первый в Европе самый важный торговый партнер России и второй прямой иностранный инвестор, а Россия – шестой по важности экономический партнер Нидерландов. Авторы исследования отмечают, что оба государства активно сотрудничают в сферах энергетики, сельского хозяйства, транспорта и логистики. Однако в настоящее время существуют определенные правовые и экономические трудности, которые препятствуют более эффективному развитию нидерландско-российских экономических отношений. Они анализируются в статье, также авторами исследования даются рекомендации по преодолению этих сложностей и укреплению контактов.

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Ключевые слова

Международные экономические отношения, торговый партнер, Нидерланды, Россия, экспорт, голландско-российские отношения, двустороннее сотрудничество.

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