

Effects of the sanctions on business In Russia and The Netherlands

Practical project introduction

Kom verder. Saxion.

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Overview of the session

- Development of Trade
- Consequences of sanctions for The Netherlands
- And for Russia?

Historical overview

Trade relations between Soviet Union and the Netherlands exist already for a long time.

But: trade volumes were pretty low, as with the rest of the world.

Changed because of Globalization and trade liberalization.

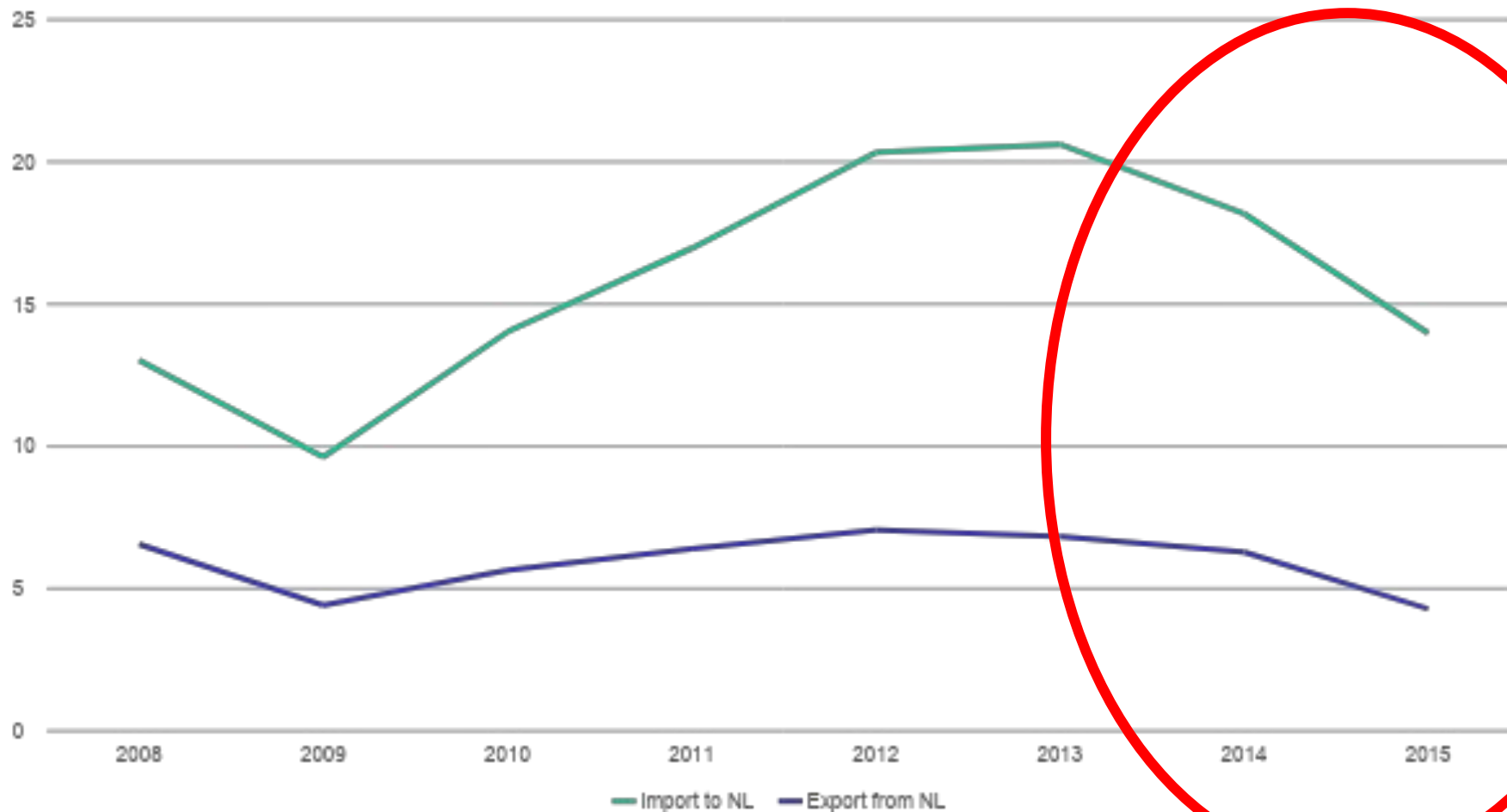
And then...

There were the sanctions:

<https://www.youtube.com/watch?v=mz80tY-YFaA>

Problems of trade in the last few years

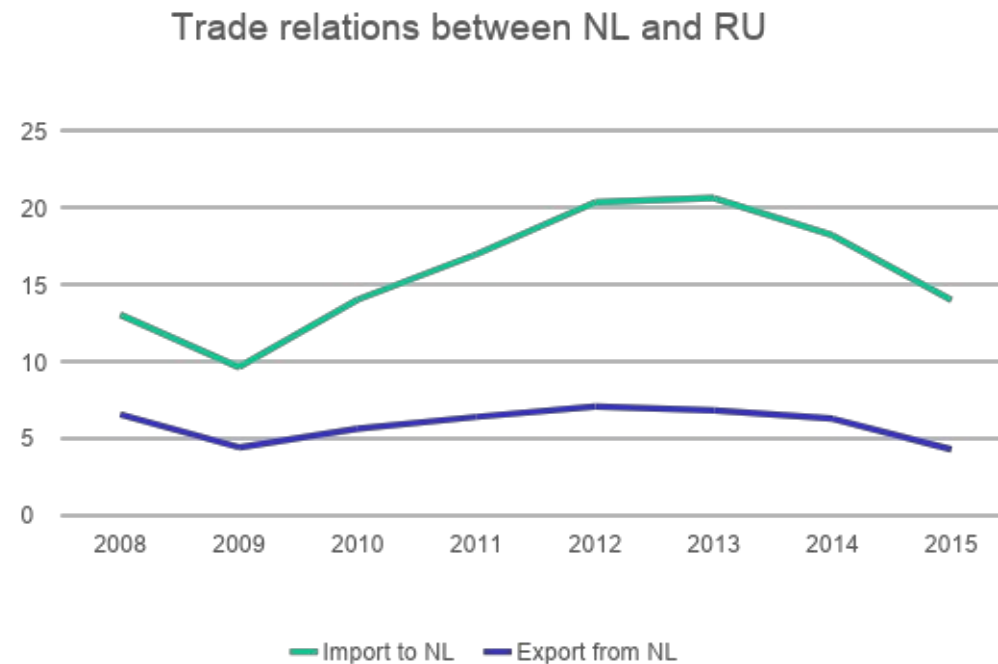
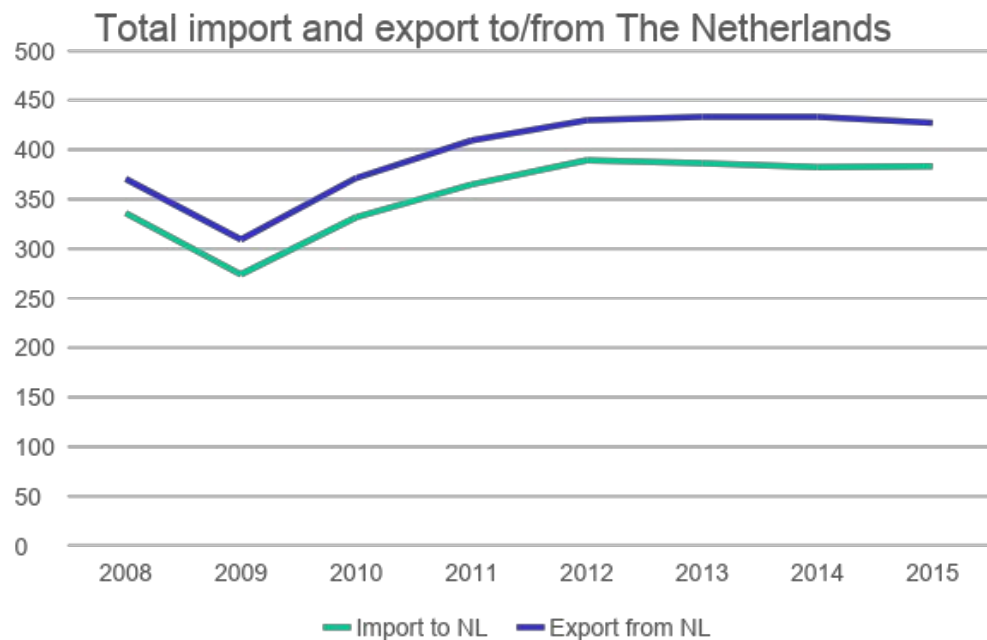
Trade relations between NL and RU



SANCTIONS?



Trade



Trade

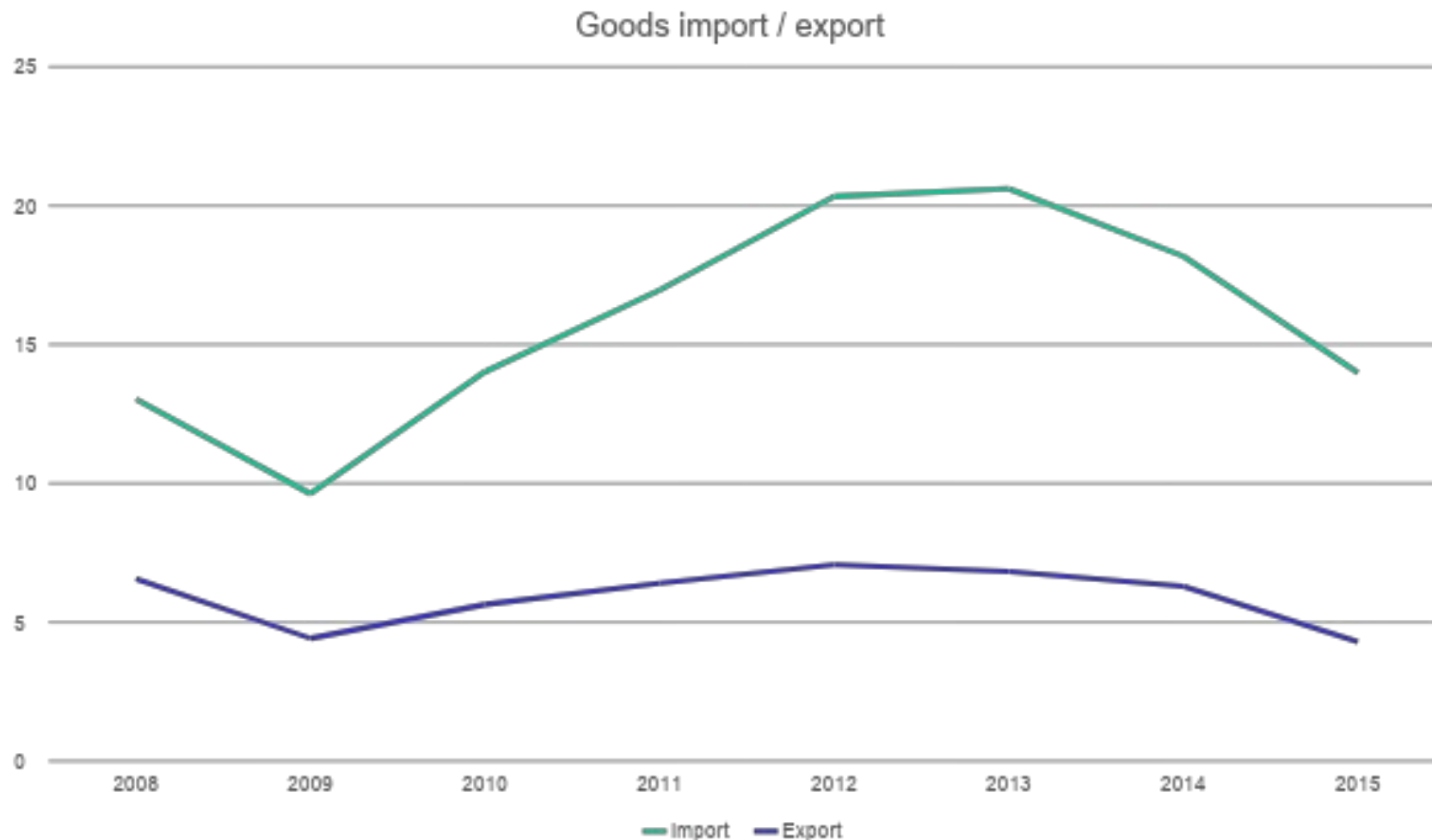
Trade consists of both goods and services (services you could describe as goods that you can't touch)

Next to that there are also foreign investments

First of all let's look at **Goods**



Goods import export



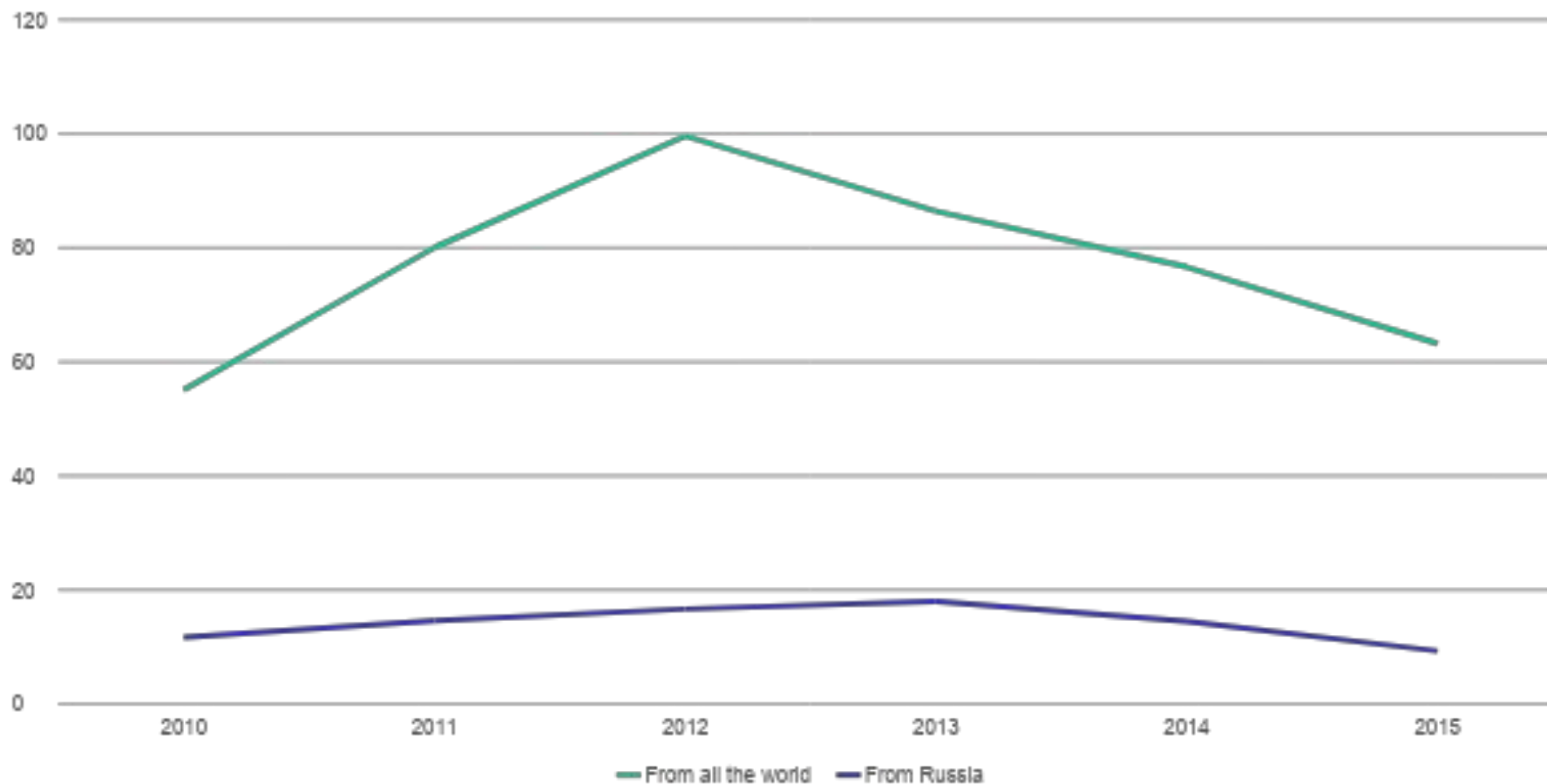
Goods import / export

Does this mean that imports and exports go down a lot?

First of all...what are the most important goods that we as Dutch buy from Russia?

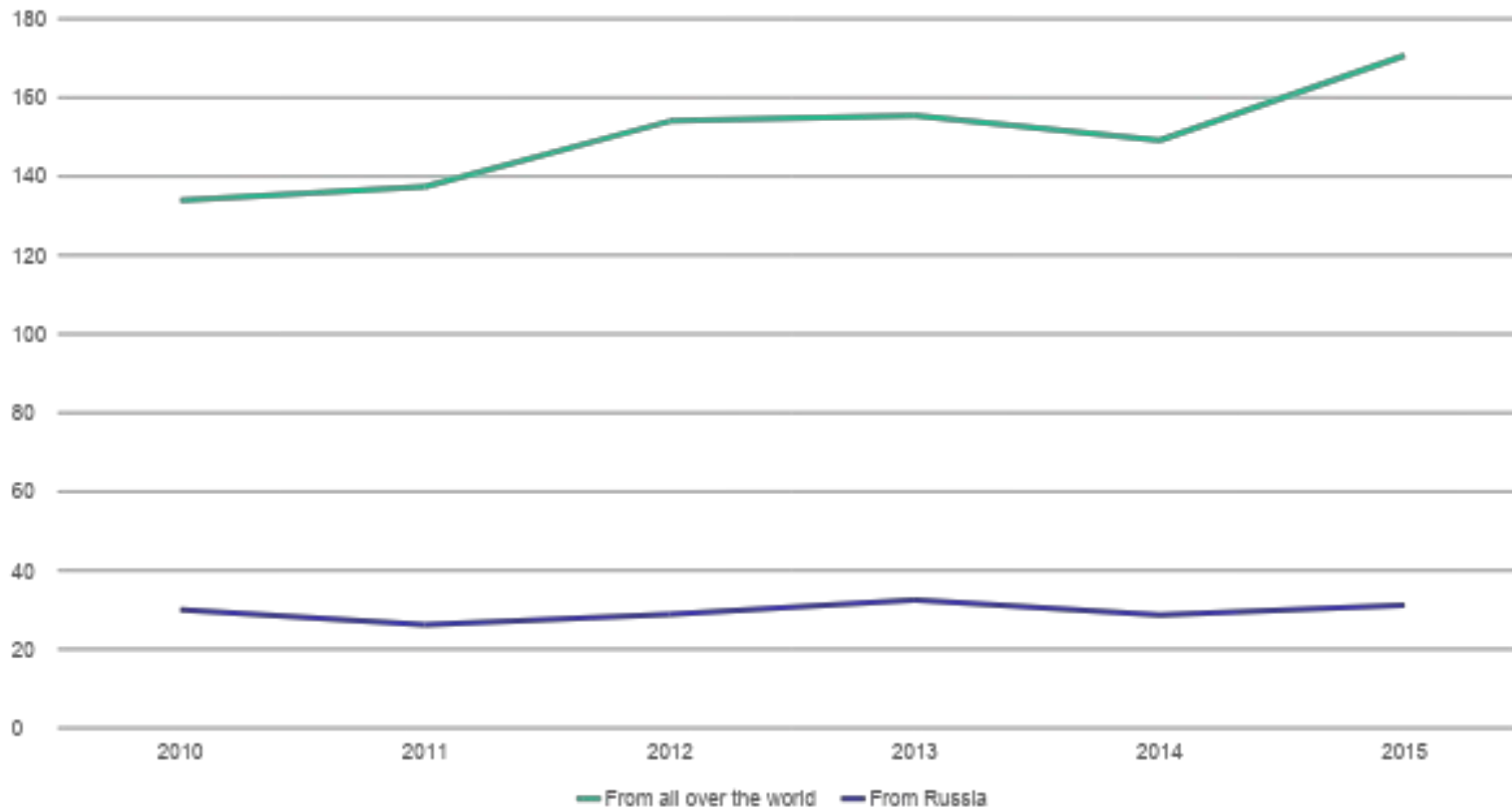
Mineral fuels - Value

Import value of mineral fuels in NL



Mineral fuels - Volume

Volume of imported mineral fuels in NL



Goods import / export

Conclusion:

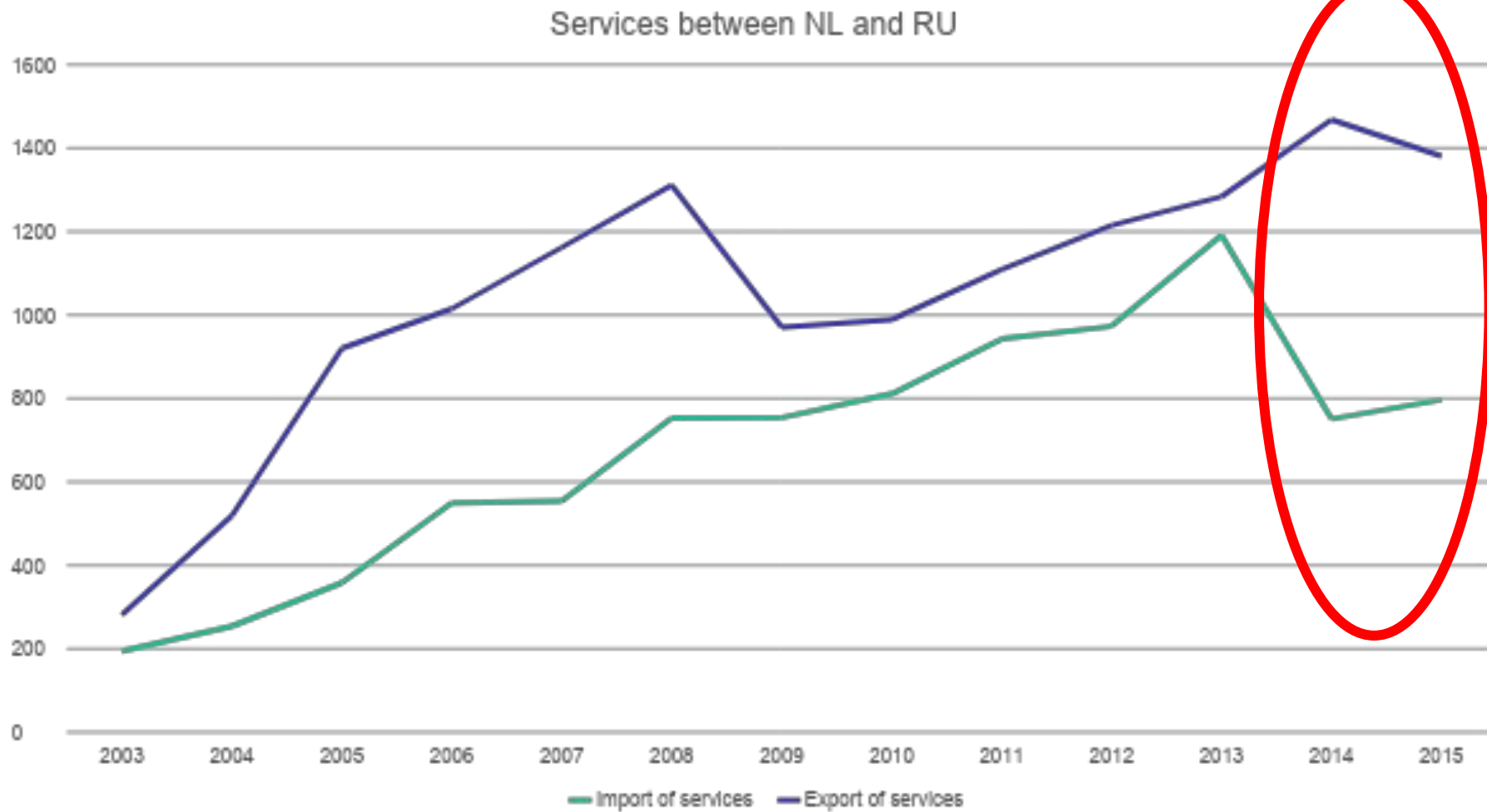
It is not the sanctions that decrease Russian export values to The Netherlands the most, it is the low oil price!

Service sector

Another way of earning money is to provide services abroad, for example: transport, financial services or payment of royalties.

Is there (indirect) influence of the sanctions on this?

Services import / export



Export of services:
Dutch companies providing services to Russian companies

Import of services:
Russian companies providing services to Dutch companies

Services import / export

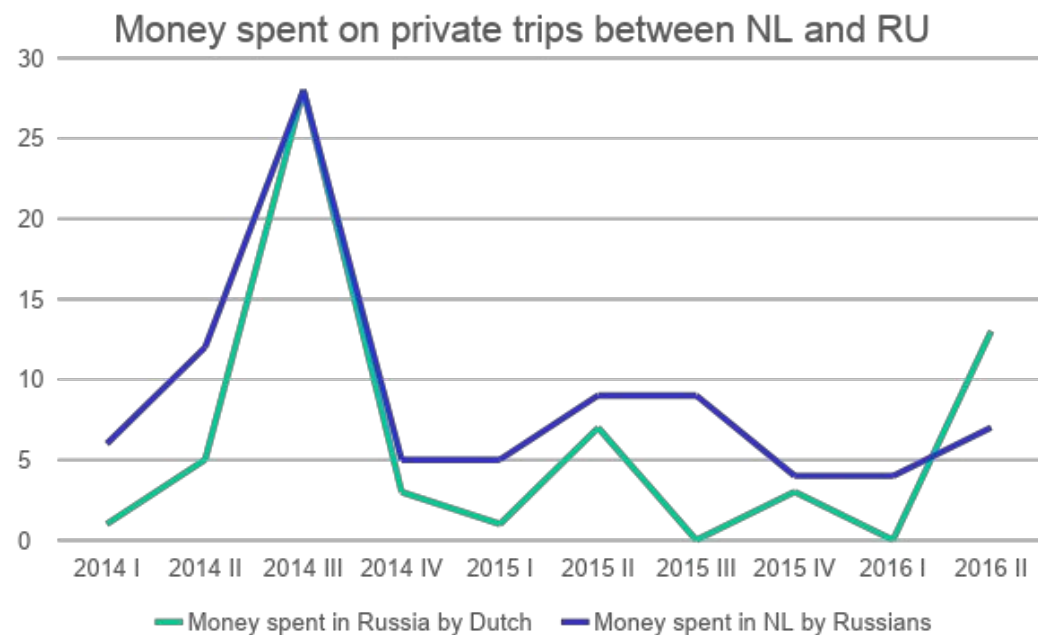
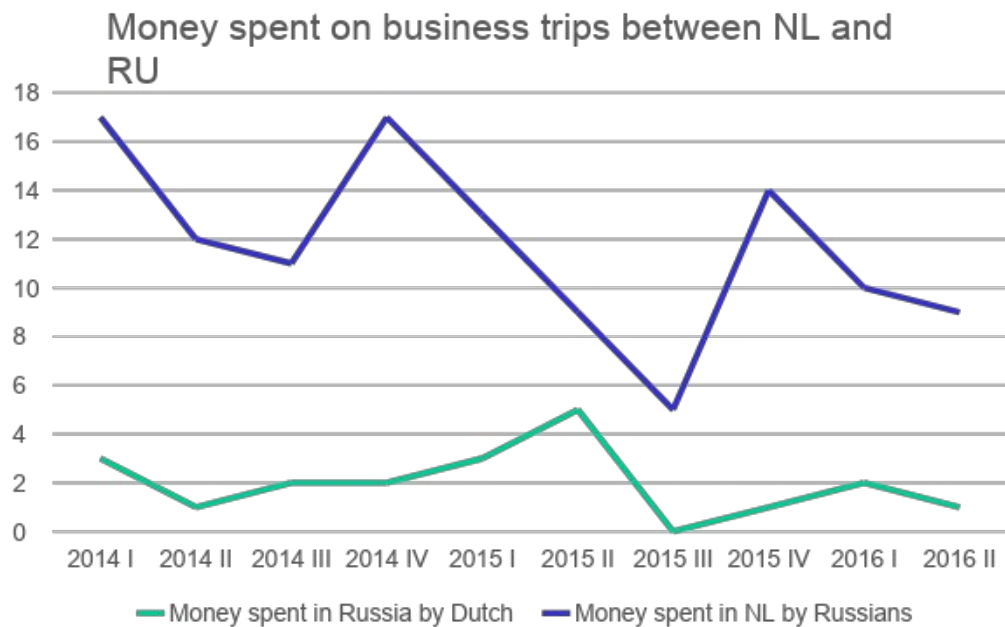
Main service sector involved: Professional services

That means management support services, legal services, trade related services, business consultancy, IT related services.

Import of these services to NL decreased...if the weak Ruble would play a role, it would have likely **increased**. (These services would have become cheaper!)

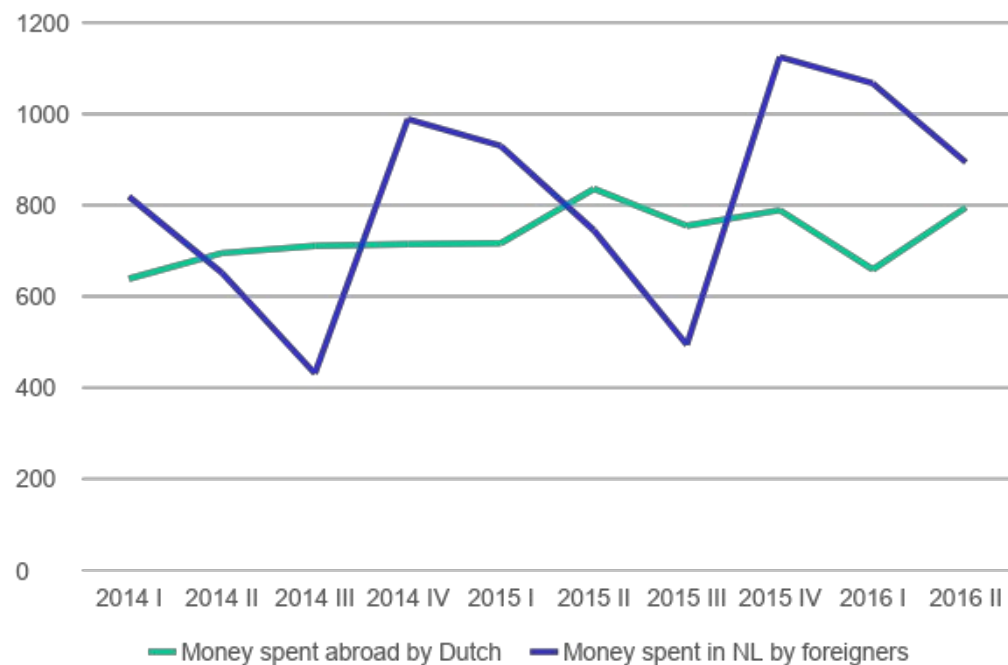
Could it be the (indirect) effect of the sanctions?

Business trips & Tourism

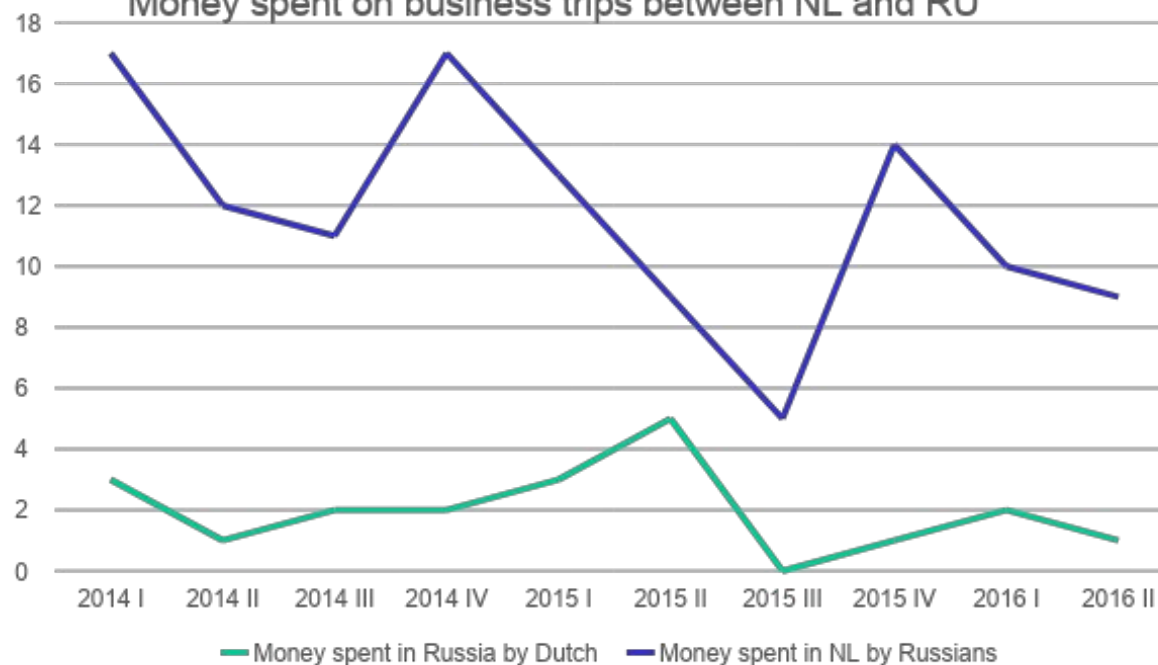


Business trips in general

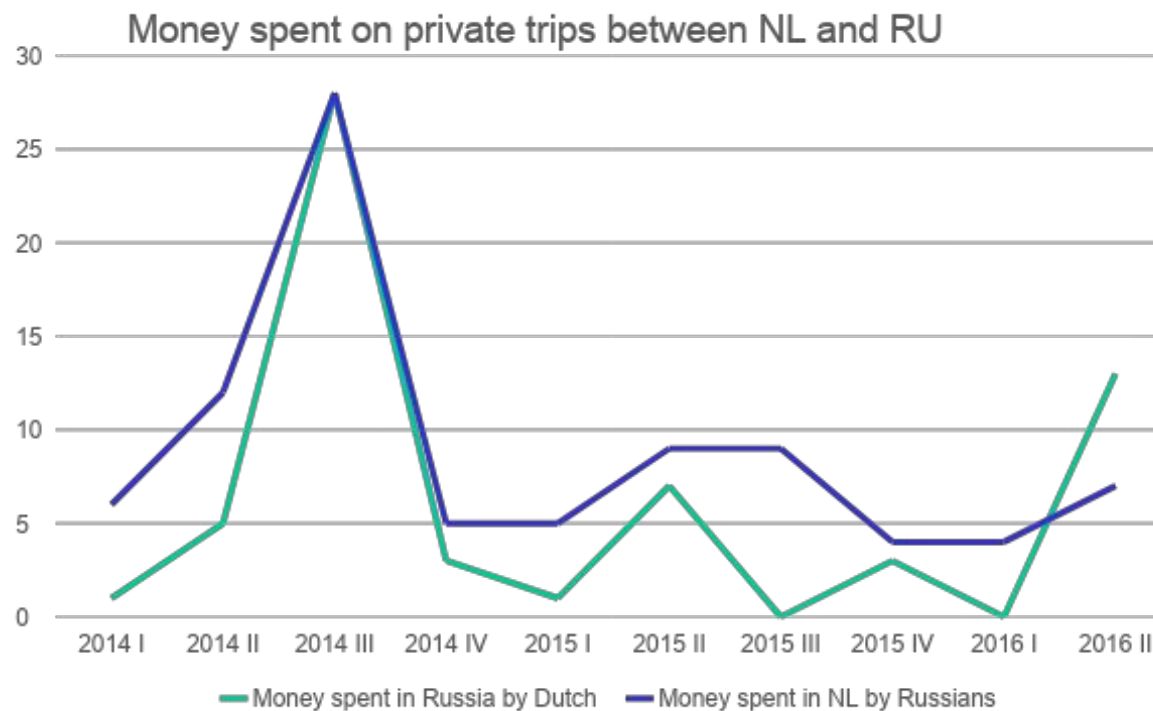
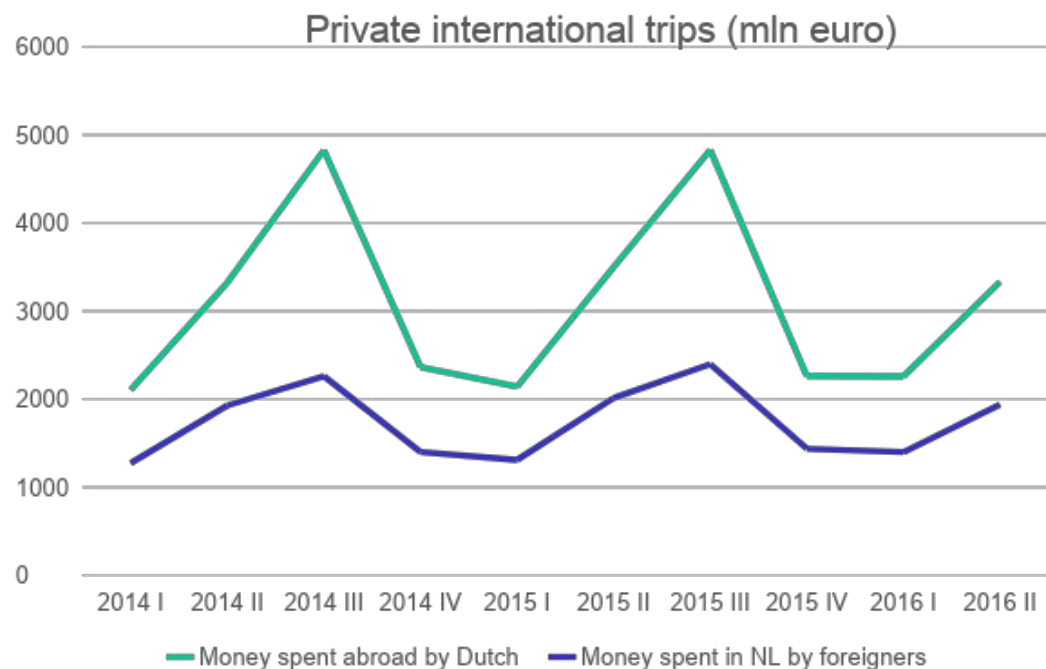
International Business trips (mln euro)



Money spent on business trips between NL and RU



Tourism expenses in general



EU sanctions

At least for The Netherlands: The EU sanctions for dealing with Russian military companies have mainly a symbolic “for show” effect.

Trade volumes before the sanctions were already very low.

Russian sanctions

The Russian government used the sanctions to develop “Import substitution policies”.

That means, to develop the local producers, in order to shift consumption from imported goods to home production.

Two problems with import substitution:

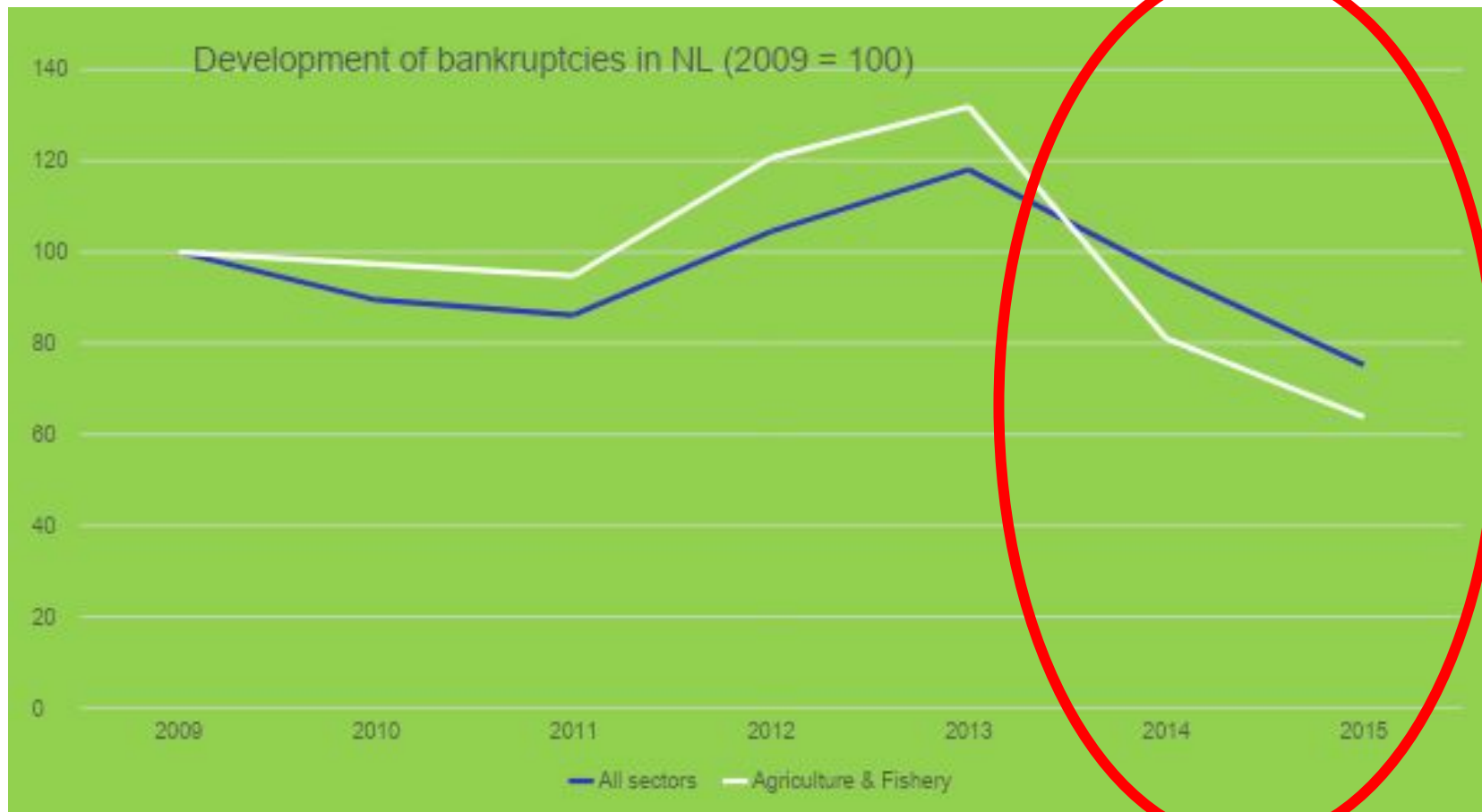
1. Do people want it?
2. What about inefficiencies?

Effects of the sanctions?

Any effect on Dutch businesses?

Or have they shifted to different markets?

Development of bankruptcies in NL



In individual cases: Bankruptcies



Garanties bedrijven moet pijn Russische sancties verlichten

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Groente- en fruittelers die worden getroffen door de Russische boycot kunnen aanspraak maken op een nieuwe garantieregeling.

Het kabinet stelt hier 75 tot 100 miljoen euro voor beschikbaar, maakte staatssecretaris Sharon Dijksma van Economische Zaken woensdag bekend.

Met het geld dat de overheid uittrekt, kunnen garantstellingen worden afgegeven, waardoor de tuinders via de banken tot 200 miljoen euro kunnen lenen.

Tegenwind voor bloementelers en melkveehouderij

Bloementelers hebben het juist moeilijk. Dat komt waarschijnlijk mede door de Russische sancties. Ook de veehouderij heeft de wind tegen. Het aantal faillissementen daar lag vorig jaar twee keer zo hoog als in 2014. Er vallen vooral steeds meer melkveehouders om. Het melkquotum is afgeschaft en boeren hebben daarom veel meer koeien genomen, maar het gevolg is dat de **melkprijs** is gekelderde.

Staatssecretaris Martijn van Dam (Economische Zaken) vindt het goed nieuws dat het aantal faillissementen is gehalveerd sinds het hoogtepunt in 2013: "Het bewijst dat deze sector na de moeilijke crisisjaren de weg omhoog weer heeft gevonden."

Dutch Flower farmers have an especially hard time...



Individual cases: Bankruptcies

Most food exporting companies shifted to different markets, or shifted into providing technology for Russian farmers instead of products.

Assignment 1

Farms in Russia:

- Find out if the production volume, prices and turnover of the agricultural sector (**farms**) in Russia increased because of the import substitution policy.
- Did import of agricultural products come from different areas than the sanctioned ones? Did export increase?
- Use statistical data on national production and import of agricultural products
- Interview at least two key players in the transport sector to learn about changes in production flows.

Assignment 2

Food processing industry

- Find out if the production volume, prices and turnover of the **food industry** in Russia increased because of the import substitution policy.
- Did import of food products come from different areas than the sanctioned areas? Did the export increase?
- Use statistical data on national production and import of agricultural products
- Interview at least two key players in the transport sector to learn about changes in production flows.

Assignment 3

Tourism industry

- Find out in how far the **tourism industry** was affected by the sanctions. Find statistical information about the development of international tourism from/to Russia.
- Are tourist flows decreasing only to sanctioned areas, or everywhere, because of the weak ruble / economic crisis.
- Interview at least 3 key players in international tourism, to learn about the latest developments and if there are shifting geographical patterns.

Assignment 4

(International) Professional service industry

- Find out in how far the **professional industry** was affected by the sanctions. Find statistical information about the development of this sector.
- Is the turnover of the international professional service industry decreasing only to sanctioned areas, or in other areas as well?
- Interview at least 2 key players in professional services (eg. KPMG, Ernst & Young or law firms), to learn about the latest developments.