

Industry Report

As the invasion of Ukraine ends trade with Russia, GAMBICA members re-focus on other opportunities

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The terrible war in Ukraine has seen the full force of sanctions brought to bear on Russia and increasingly on fellow-traveller, Belarus. As well as imposing sanctions on Banks, companies and individuals, the UK, EU and US (but unfortunately not China) have restricted access to the SWIFT banking transaction system, stopped Russian banks raising funds in the UK and, most importantly for lab suppliers, have strengthened the dual use and critical technology export bans. So those who have traditionally exported to Russia, Belarus, Kazakhstan and Georgia are now looking elsewhere to fill gaps in their order books. And GAMBICA is helping members to access new markets.



Attendees at a recent GAMBICA webinar on the impacts of the invasion of Ukraine had the plight of Ukrainians at the forefront of their minds. Attendees shared information on the best routes to help but were also concerned about the impact of the war on UK companies and jobs.

Unfortunately, those who had been exporting to Russia prior to the invasion face considerable difficulties in getting paid.

Mastercard and Visa have blocked Russian transactions and Russia has hit back with requirements that its own exporters must sell 80% of their foreign currency earnings at a rate stipulated by the Russian government and that the export of foreign currency exceeding the equivalent of \$10,000 US is banned.

They have also put the UK on a list of 'unfriendly countries' which means that UK firms must apply for permission to carry out or complete transactions, and those applications have to give very detailed information about the company. Neither are they allowed to sell off property they may own in Russia and their property may be seized.

Concrete advice on how to proceed is hard to come by. The Government is saying only that sanctions don't apply to 'past transactions' so, in principle, UK companies can get paid for past shipments without breaking sanctions. They suggest however, that it would be wise to contact your bank, and clearly, there will be enormous practical difficulties.

Many companies will have some kind of Force Majeure insurance which should cover you for the consequences of Government actions such as imposing sanctions. You should definitely review your policy to see if you can claim. GAMBICA partner, Chamber International, is able to issue Force Majeure certificates which could help speed up any claim.



Another big issue seems to be a rash of orders coming in from countries near to Russia, including Georgia and Kazakhstan, which are likely to be destined in fact for Russia. Due diligence on this sort of order is not easy to do, but it is absolutely essential if you are not to fall foul of the law. GAMBICA has some details of people who can help so do get in touch by emailing jacqueline.balian@gambica.org.uk

If you would like to make a donation to help the people of Ukraine, either the Red Cross or the Disasters Emergency Committee have appeals underway.

Turning to alternative markets; two of the most rapidly growing markets are China and India. The UK is fortunate to have good trading links with India, and access to many experts in growing trade with Indian markets. One of these is Professor Sangeeta Khorana at Bournemouth University who is working on the Free Trade Agreement currently being negotiated with India.



Containers in the wrong place are still causing trade issues. But trade improves lives throughout the world.

"India is a huge market," she said, "and offers potential market access for UK firms. However, there are a few important barriers to trade which you need to know about and understand." Among others one of these is the 'Make in India' policy which aims to grow local industries, particularly in high-tech areas. Professor Khorana will be speaking at the next GAMBICA Export Group meeting in April to help members identify when they may be affected by barriers, and to understand how to circumvent them.

A similar policy has recently been made official in China. In December 2021, China passed the 'Science and Technology Progress Law of the People's Republic of China' which is effectively a 'Buy from China first' law for all government-funded bodies.

Some GAMBICA members are already seeing the effects of this as it has already been adopted by some provinces where there are established Chinese competitors.

It is expected to have an impact in the short-term and to represent a growing problem over time until it impacts all businesses operating in China, probably within the next 6-8 years.

Expert commentators believe that the driver here is talent and capital allocation and is consistent with Chinese crackdowns on 'big tech' which is driving business to obey a broader political agenda. This will encourage more capital and Chinese talent going to 'deep tech', as opposed to internet-based platforms and games.

Also at the upcoming GAMBICA Export Group meeting will be opportunities to take part in sales events in the far east and in Africa, and details of channels which could help you sell into the pharmaceutical industry. If you would like to join us email jacqueline.balian@gambica.org.uk