Press release

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## Euler Hermes identifies new global trade opportunities: From Silk Road to tablet road

- Of the top 10 countries with the strongest potential demand growth through 2015, China remains first-ranked (+10%); Africa well-represented by Angola (fifth) and Nigeria (sixth).
- Contrasting sector demand trends expected through 2015. Additional import demand to create momentum for chemicals (USD 391 billion, EUR 299.5 billion) and automobile manufacturing (USD 169 billion, EUR 129.5 billion).
- Intra-zone trade surge continues, notably in the Eastern European (+453%) and ASEAN[1] countries (+450%) from 2000-2015.
- Global trade gains 7% in 2013 and 11% in 2014 (+4.1% and +5.9% in real terms), continuing to drive economic growth. Asia's emergence to continue apace.

**PARIS – 23 APRIL 2013 –** Global trade is being fundamentally transformed, according to a study by Euler Hermes, the global leader in trade credit insurance.

"As the growth engine for the global economy, world trade is expected to rise by 4.1% in real terms in 2013 (vs. 2.5% GDP growth), and by 5.9% in 2014 (vs. 3.2% GDP growth)," explained Ludovic Subran, chief economist at Euler Hermes. "However, there will be marked contrasts at regional and sector levels. After a period of 'full globalization', we now see a shift toward stronger regionalization and the emergence of new risks."

The recognition of free trade as a source of wealth is underlined by the nearly 240 regional trade agreements recorded since 1990. Moreover, emerging countries currently benefit twice as much as advanced economies from open trade policies, particularly when they sign trade agreements. Similarly, sector level trends demonstrate increasing divergence: computer equipment manufacturers generate seven times more export sales than agri-food companies.

**Regionalization: new regional dependencies, new sector risks**

Trade ties between regions continue to strengthen. However, a gradual shift in trade dependencies between advanced and emerging economies is occurring.

"Although more than half of emerging country trade still involves developed countries, the rate of dependency has declined substantially, falling by 12 points between 2001 and 2011," said Subran. "Meanwhile, intra-regional trade between emerging countries increased by 19% compared to a 7% increase among the developed countries. But this rapid regional growth is accompanied by new constraints - notably political - including a growing number of protectionist measures that threaten supply chains."

Trade regionalization is also evident in the leading globalized sectors, although some special sector circumstances and constraints are noteworthy.

- Agri-food – logistical and structural constraints. Exports are concentrated on agricultural commodities that are easy to transport; processed food products with greater added-value prosper through intra-regional trade (proximity, food security).
- Automobile – protectionism and heightened regional dependency constraints. Examples: 80% of Mexican automobile exports are delivered to the US and Canada; 63% of German exports are to the rest of Europe.
- Chemicals – commodity price constraints. The plastics industry is dependent on oil supply volumes and prices, 22% of which are linked to the Middle East.

[1] ASEAN: "Association of Southeast Asian Nations" consists of 10 countries - Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, Vietnam.

- Pharmaceuticals – development costs and purchasing power constraints. Patented drug prices limit their export potential primarily to developing countries, who also await the arrival of generics in five to eight years.

- Information and communication technologies – costs and competition constraints. Electronic component prices have been cut in half between 2000 and 2013.

"The electronic components sector, currently located in Asia, clearly includes a risk of hyper-globalization," said Didier Moizo, sector advisor, Euler Hermes. "Many sectors such as aeronautics, automobiles, chemicals, service providers and steel critically depend on electronic components. For example, in a catastrophe scenario a total disruption in the supply of semi-conductors could generate a global shock wave equivalent to USD 32 trillion (EUR 24.5 trillion), or half of global GDP."

**Global trade players - the future**

Longer term, trade between developed countries is likely to decline, trade between advanced and emerging economies will increase and trade between emerging economic regions is likely to grow significantly.

"Companies will find potential demand growth through 2015 in the leading importing countries, which have favorable growth fundamentals," said Ludovic Subran. "Asia is confirming its dominance, taking the top four spots in the Euler Hermes rankings (China, Vietnam, Indonesia, India), followed by two African countries - Angola and Nigeria. The 'next 18' include Turkey, Russia, the Middle Eastern countries and some South American countries - Colombia, Peru and Ecuador. "

At the sector level, in terms of import potential over the next three years Euler Hermes emphasized the strength of chemicals (+21%) and automobiles (+20%), followed by pharmaceuticals (+15%), agri-food (+10%) and electronic components (+9% ). "The change in global trade is certainly linked to the weaving of new industry roads. What was once the Silk Road is now the tablet road and will certainly be the polymers and plastic road in the near future," explained Subran

"Overall, we estimate a 15% global trade growth potential of approximately USD 820 billion (EUR 630 billion) through exports in seven sectors[2]," concluded Subran. "That corresponds to the creation of an economy equivalent to that of the Netherlands in barely three years."

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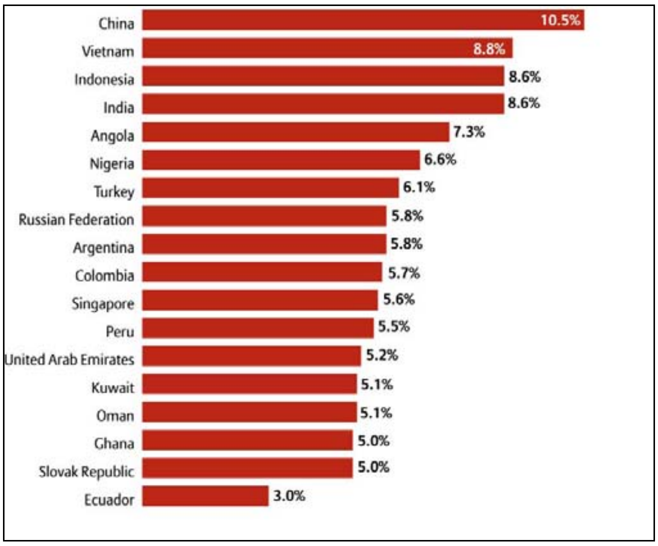
**Appendices:**

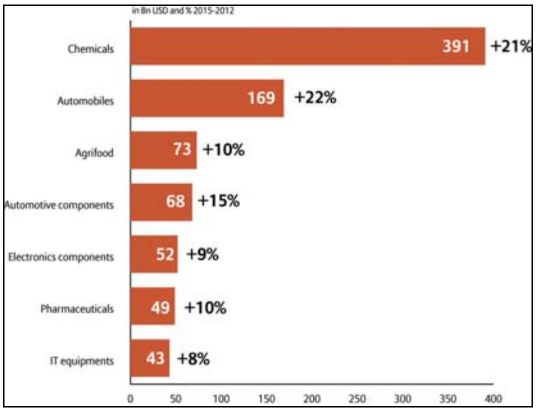
**Import growth outlook 2012-2015**




*Sources: World Bank, IMF, IHS Global Insight, Euler Hermes forecasts*

[2] Seven sectors: agri-food, automobile, automotive components, chemicals, electronic components, pharmaceuticals, IT equipments

### Sector analysis of potential import growth 2012-2015




*Sources: IHS Global Insight, Euler Hermes*

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