



Euler Hermes

“Dossier”

no.3

2011

Rebound in world trade in 2010
confirms the shift already underway
before the crisis

An analysis by the credit insurer Euler Hermes

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Economic Outlook

 EULER HERMES

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The Special Dossier is issued twice annually by the Market Management, Strategic and Economic Studies of Euler Hermes. **Publication Director:** Karine Berger • **Business sectors Manager:** Yann Lacroix • **Sector economists:** Bruno Goutard, Marc Livinec, Didier Moizo • **A également contribué à ce numéro:** Alban Colin du Bocage • **Production editors:** Anne-Marie Begoc, Martine Benhadj, Valérie Poulain • **Translation:** Charles Prager-London • **For further information, contact:** Support Direction des Marchés et Marketing Groupe 1, rue Euler 75008 Paris – Tél.: +33 (0)1 40 70 53 77 ► Euler Hermes is a limited company with a Directoire and Supervisory Board, with a capital of 14,691,191,20 euros • **Photoengraving:** Evreux Compo à Evreux – Permis Avril 2011 – Bull 1170 ; SSN 1 162 – 2881 • *May 18, 2011*



Rebound in world trade in 2010 confirms the shift already underway before the crisis

An analysis by the credit insurer Euler Hermes

Industrialised countries continue to dominate exports in several key sectors

The upturn in international trade in 2010 benefited all zones.

Unsurprisingly, Asia (excluding Japan) was the zone that recorded the strongest growth in international trade between 2007 and 2010, thanks to China's robust recovery. At the same time, the weight of European exports in world trade diminished (as a whole, as well as for each country, including Germany), while that of the United States and of Japan grew slightly. The recovery in international trade has been global but with differences depending on the sector. In the agri-food and pharmaceutical sectors, trade has risen to above the 2010 level whereas the automobile sector is still far below it. "Also, China was not the only country to benefit from the upturn: Brazil has gained considerable ground in agri-food, and South Korea in the automobile sector. Several industrialised countries continue to be the leaders in the automobile, chemicals, pharmaceuticals and capital goods sectors," points out Wilfried Verstraete, Chairman of the Euler Hermes Group Management Board. "Of course, the challenge now facing these countries is to hold on to their share of the export market. They can achieve this only by improving their technological edge, which means investing substantially in research and development."

Winners and losers by sector: a confirmation rather than a shake up

• Agri-food industries:

Brazil joins the majors.

World exports of agricultural and agri-food products increased by more than 20% in value between 2007 and 2010, reaching USD 1,100 billion.

- Brazil recorded spectacular growth in agri-food exports, particularly to China. Although imports also increased in response to strong domestic demand, Brazil enjoys a comfortable trade surplus in this sector.

- China – a huge importer – has an increasingly negative trade balance in this sector, which is likely to increase the upward pressure on world agricultural commodity prices.

► Technology goods:

Asia consolidates its domination.

Exports of Technology goods totalled USD 1,200 billion in 2010, 6% more than in 2007.

- China confirmed its supremacy with 27% of global exports, followed by Hong Kong (10%). These two countries also recorded the strongest growth in their respective shares of the export market from 2007 to 2010.

- South Korea's technology exports now exceed those of Japan.

► Chemicals:

Industrialised countries still the leaders

World chemical exports totalled USD 1,170 billion in 2010, 3% more than in 2007.

- The United States and Germany continue to be the largest exporters with market shares of respectively 11% and 10%, bearing in mind that oil-producing countries control a significant part of the basic chemicals segment.

- China, whose exports have grown by a substantial 30%, is still a long way from meeting its own needs. Its large trade deficit in this sector shows that it is reliant of overseas supply.

⁽¹⁾ Technology goods : manufacture of IT and telecom equipment, electronic components and consumer electronics



► Pharmaceuticals:

Switzerland and Ireland stand out in terms of exports. World pharmaceutical exports came to USD 463 billion in 2010, up by 8% relative to 2007.

- Europe dominates, thanks to Germany – the world's largest exporter – but also to Switzerland and Ireland. These last two countries have recorded more than 20% growth in their respective market shares between 2007 and 2010 and both post substantial trade surpluses in this sector.
- The United States continues to be the world's biggest market and the largest importer. Japan, whose pharmaceutical imports grew more strongly than any other country during the period, is not one of the leading exporters.

► Capital goods:

China's trade balance is beginning to even out. World trade in capital goods in 2010 returned to a level similar to that of 2007 (around USD 1,300 billion) in value terms.

- In terms of exports, Germany is still the world leader, ahead of the United States – which has not yet returned to its 2007 level – and Japan.
- China, South Korea and Japan recorded the strongest growth in exports from 2007 to 2010, boosted by the economic stimulus measures in 2009-2010. China's performance in terms of exports to emerging zones makes it an increasingly serious competitor for the European countries and for the United States.

► Automobile

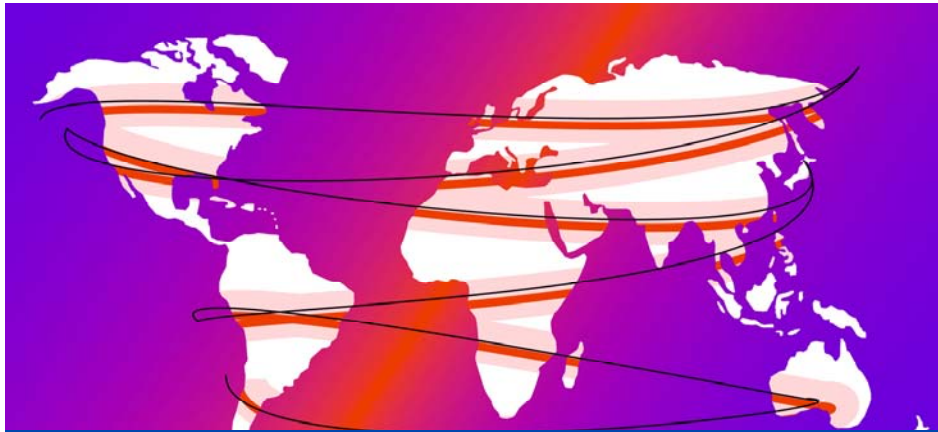
Germany widens its lead over Japan. World automobile exports totalled USD 1,000 billion in 2010, down by 16% compared with 2007.

- Germany consolidated its leadership with 22% (USD 215 billion) of world automobile exports in 2010. In value terms, Germany's exports are double those of Japan and four times those of France.
- South Korea recorded a strong rebound, with exports up by nearly 30% compared with 2007.
- The fall in Japanese exports is directly linked to the slump in the US market, which in the past four years has dropped from 17 million vehicles sold to 11.5 million.
- At close to 120%, the growth in Chinese imports may look spectacular but at 4%, China's share of world imports remains very small despite the fact that it became the world's largest automobile market in 2010.

Specialisation and dependence on sectors differ depending on the country

- The German and Japanese economies are very similar. In both cases, the weight of the automobile and capital goods sectors dominate in their exports.
- France's export profile is atypical, with chemicals and agri-food predominating.
- The technology trade seems to be one of the most global. Accounting for a large part of Chinese exports, technology goods figure at the top of the list of imports for most of the major countries, particularly the United States.
- Although both are automobile manufacturing countries, the United States and France are importers in the sector. The United States' dependence on imports is attributable to the decline in domestic production in the face of competition from Japanese manufacturers. France's dependence is the result of relocating the production of bottom-of-the-range cars to low-cost countries.
- China is hugely dependent on imports in the chemicals sector and, increasingly so, in the agri-food sector.

⁽²⁾ Capital goods: power generating equipment (nuclear reactors, boilers) / machinery, mechanical equipment and engines (metallurgical, specialist and general industrial uses) and their components – Excluding air, rail and maritime transportation equipment.



Has the 2008/2009 crisis redrawn the map of world trade?

A cross sector/country analysis

Press Conference – Paris - 17 May 2011

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Has the 2008/2009 crisis redrawn the map of world trade? A cross sector/country analysis



1 A sharp revival in world trade in 2010

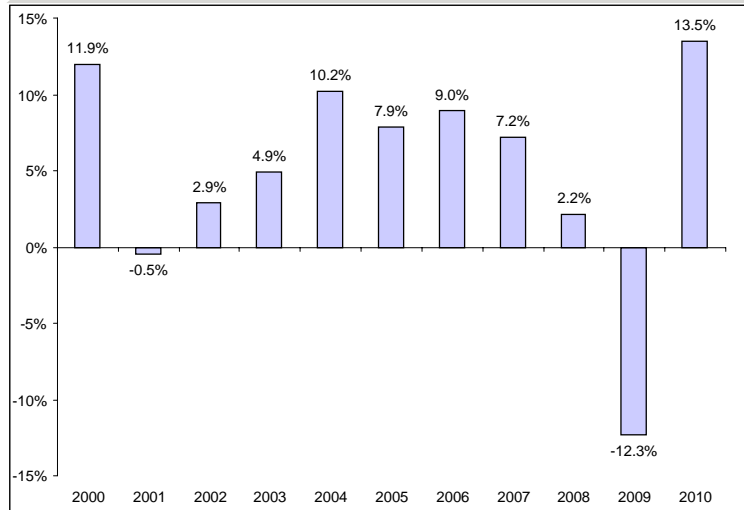
2 The winners and losers in world trade by sectors:
Little upheaval

3 Winner and loser sectors, by country

Growth in world trade

After the record fall in world trade in 2009, economic recovery in 2010 confirmed a sharp rebound in global trading

▶ Annual change, world trade in goods and services



Source: national figures

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A sharp revival in world trade in 2010

World trade fell by an unprecedented 12.3% during 2009, hit by one of the strongest economic and financial crises we have seen, with a contraction of world GDP of 2.1% for the first time in 60 years.

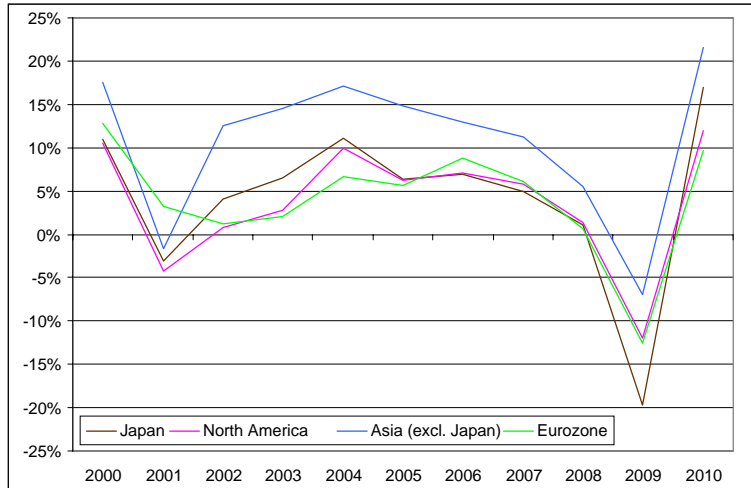
Thanks to the recovery plans implemented across the globe, world trade resumed strong growth for the year 2010, rising by 13.5%, confirming the world recovery, with a GDP growth of 4.1%.

But this growth is not uniform across the world. In 2010, GDP of the OECD countries rose by 2.5%, while GDP in the non-OECD countries – including the emerging countries – rose by 7%.

Growth in world trade

All regions benefited from the upturn, but Asia (excluding Japan) grew twice as fast as North America or the Eurozone

Annual change in trade, by region



Source: national figures

A sharp revival in world trade in 2010

The crisis impacted with varying intensity in different parts of the world. Noteworthy is the 20% collapse of Japan's trade in 2009, before rebounding by 17%.

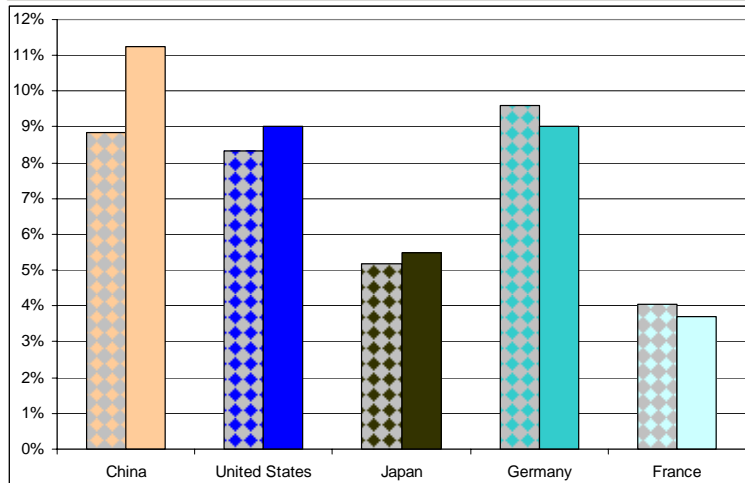
North America and the Eurozone fared similarly to each other in the 2009 crisis, with trade down by 12%, followed by a recovery of around 10% in 2010.

By contrast, Asia (excluding Japan) limited the fall in its trade to 7% in 2009, before bouncing back by 22% in 2010, nearly double the revival in European and US trade, further confirming the decoupling of the world economy.

European countries' shares of world trade are slipping

and China has advanced strongly: China accounted for 11.2% of world exports in 2010, against 8.8% in 2007,

Share of world exports, by country: 2007 versus 2010



▶ The United States and Japan are advancing slightly

▶ Germany and France have both lost market share

Source: national figures

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A sharp revival in world trade in 2010

Looking at the relative share of world exports in the countries under study, the situation is also conclusive.

China comes out on top, having increased its share of world exports from 8.8% in 2007 to 11.2% in 2010.

The US and Japan confirm a slight gain for the former, from a relative share of 8.3% to 9%, and for the latter an increase from 5.2% to 5.5%.

Conversely, the relative share of Germany and France is being eroded. Notably, however, in 2010 Germany continued to have the same world market share as the US, well ahead of Japan, and, obviously, of France.

Has the 2008/2009 crisis redrawn the map of world trade? A cross sector/country analysis



- 1 A sharp revival in world trade in 2010
- 2 The winners and losers in world trade by sectors:
Little upheaval
- 3 Winner and loser sectors, by country

In world trade, by sector, countries that are export winners can also be losers...unable to meet the growth in their own domestic demand



	Winners		Losers	
Agrifoods	Brazil	China	China	Japan
Technology goods	China	Hong Kong	Germany	Japan
Chemicals	China	Japan	China	France
Pharmaceuticals	Ireland	Switzerland	Japan	United States
Capital goods	China	South Korea	China	
Automobiles	Germany	South Korea	France	United States

In world trade, by sector, countries that are export winners can also be losers...

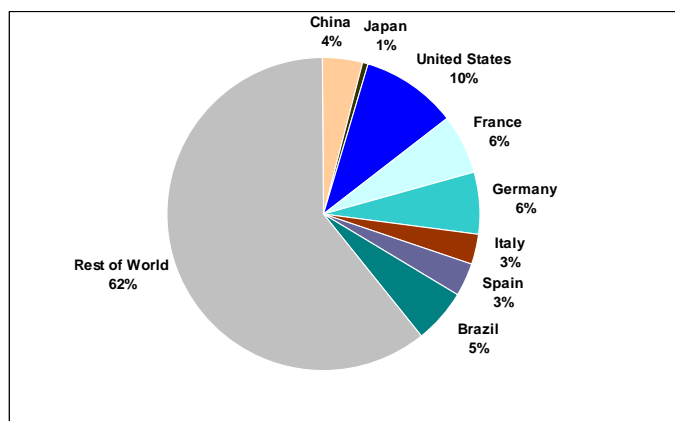
The analysis presented below of developments in world trade, by sector, shows that while some so-called emerging countries have greatly advanced, they may also – in the face growing domestic demand and a level of technology not yet fully mastered – be highly dependent on some of the so-called ‘old industrialized countries’.

Admittedly, industrial output has shifted from 48% to 52% towards the emerging countries between 2008 and 2010, but there are still important sectors in which the mature economies remain the dominant leaders in world trade.

Agrifoods: Brazil, now among the majors

In this highly fragmented sector, the US seems to be a solid sector leader

▶ Ten countries account for 38% of world exports in the sector



▶ World exports of agricultural and agrifood products rose by more than 20% by value between 2007 and 2010, reaching USD 1.1 trillion

▶ Europe accounts for more than 40% of total exports but its trade is concentrated within the region

Agrifoods: food products, live animals/ beverages and tobacco / oils and fats of animal or vegetable origin

Sources: ITC, COMTRADE, EUROSTAT, national figures

Agrifoods: Brazil, a big beneficiary of Asian requirements over 2007/2010

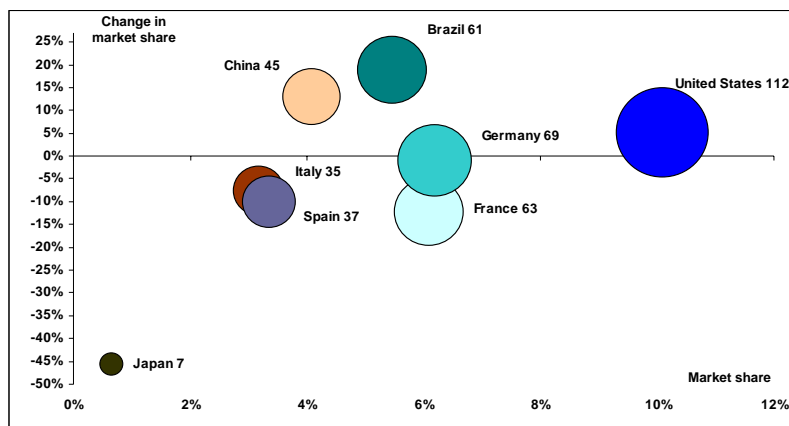
Agrifood trade (around 7% of world trade in goods) experienced a period of strong volatility in agricultural commodity prices (according to the FAO Food Price Index, compared to the previous year: +25 % in 2007, +26% in 2008, -21% in 2009 and +18% in 2010), sparked by global economic fluctuations. It shows that growth in the value of the sector's exports is based, in part, on a favourable price effect.

While not in a genuine position of hegemony, the US remains the leading exporter, ahead, in terms of our sample, of Germany, France and Brazil. The latter, fully confirming its potential, is particularly active as a true global exporter, with only 8% of Brazilian trade flows occurring with other South American countries. Brazil thus presents a very different model in this sector to that of European countries, which trade mainly with other EU countries, with intra-EU trade accounting by value for nearly three-quarters of total EU agrifood exports.

Agrifoods: Brazil, now among the majors

Differing dynamics, but, in favourable market conditions, Brazil confirms its status as an agrifoods power

Change in export market share, 2007 to 2010 (totals in USD billions)



► Buoyed by the rise in commodity prices, Brazil is posting a spectacular increase in exports

► Exports from the major European countries are up moderately (due to the gloomy economic climate in the region) but losing ground in the world market

Sources: ITC, COMTRADE, EUROSTAT, national figures

Agrifoods: Brazil, a big beneficiary of Asian requirements over 2007/2010

Over the period 2007/2010, different players have seen an increase of the value of their exports, but with fairly different trends: the 7% rise posted by France seems modest compared to gains of 20% for Germany and 28% for the US, and paling by comparison to increases of 37% for China and 45% for Brazil.

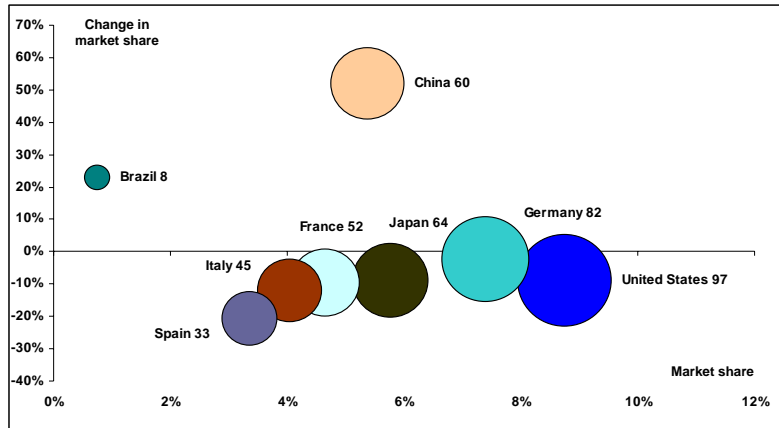
The role of Brazil, already a major agrifood power before the crisis, was strengthened by benefiting particularly from demand from Asia (including the Middle East). In 2010, it absorbed 43% of Brazilian exports (against 30% in 2007) and now supplants the European Union, which absorbed 25% in 2010 (against 36% in 2007). Also, while in 2007 the OECD countries accounted for 50% of Brazilian export sales, they now account for no more than 37%.

The US shows rising exports across most of the world. A hard core of trade partners – in the shape of Canada, Mexico and Japan – regularly account for more than 40% of shipments. By contrast, in the European Union, the high concentration of exports to other EU members has greatly penalised exports by exposure to the regional economic stagnation.

Agrifoods: Brazil, now among the majors

Emerging countries in the midst of dietary shifts

Change in import market share, 2007 to 2010 (totals in USD billions)



► In response to the changes within their domestic markets, China and Brazil are showing the most dynamic growth

Sources: ITC, COMTRADE, EUROSTAT, national figures

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Agrifoods: Brazil, a big beneficiary of Asian requirements over 2007/2010

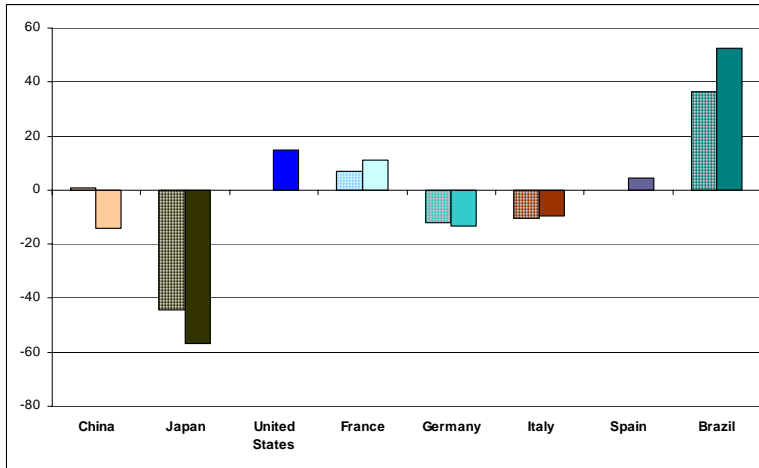
In the aftermath of the crisis years, which highlighted the contrasts between economic fortunes across the world, we see confirmation that the enrichment of households in emerging countries – increasing their access to food products and changing their consumption habits – is now also a powerful factor reshaping the map and dynamics of world food imports.

Limited or even lessened by the fortunes of purchasing power in the developed countries, by contrast food imports have risen sharply in places in the full throes of development, such as, again, China. Chinese imports rose by more than 80 % between 2007 and 2010, although, proportionally, total Chinese imports remain modest. The figures from China reflect a cycle that promises to be seen in other areas enjoying economic growth – one in which increased incomes generate higher consumption of animal products (especially meat). This will in turn lead to an explosion in animal feed requirements, and these will be met, in the event of insufficient domestic resources, by purchases on the world market. Thus, China's oilseed imports doubled in the space of four years, and today account for around 44% of the country's agrifood imports.

Agrifoods: Brazil, now among the majors

Signs of tensions: trade surpluses or trade deficits increasing, with China in particular posting an increasing trade deficit

Balance of trade in 2007 and in 2010, USD billions



▶ In Brazil, agrifoods continue to play a key role in reinforcing the country's trade surplus

▶ China's growing deficit will increase the pressure on world prices and points to future issues for the emerging countries to face

Sources: ITC, COMTRADE, EUROSTAT, national figures

Agrifoods: Brazil, a big beneficiary of Asian requirements over 2007/2010

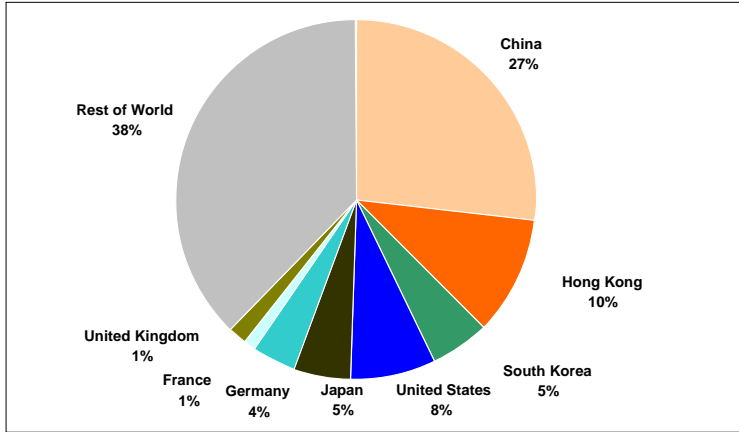
Based on the 2007/2010 figures, things seem relatively static in Europe. By contrast, Japan's extreme dependence on imports has further worsened. The US has significantly improved its position in recent years, thanks to a favourable context. In this regard, Brazil is establishing its predominance in the sector, with its agrifoods trade surplus up by 40%, due above all to its increasing percentage of trade with other countries of the South. Brazil's trade balance with non-OECD countries is positive, jumping by 85%.

China is in a chronic agrifoods trade deficit (for three consecutive years), a situation that now weighs heavily on world agricultural commodity prices.

Technology goods: strengthening Asian dominance

World exports of technology goods are dominated by China and Hong Kong

▶ Eight countries account for 62% of world exports in the sector



▶ Global exports of technology goods increased in 2010 to USD 1.2 trillion, a 6% increase against 2007.

▶ China dominates this market, with 27% of exports in 2010.

Technology goods: IT equipment and peripherals, telecommunications equipment, electronic components and electronic consumer goods

Sources: OECD, Eurostat, national figures

Technology goods: Asia controls the sector

The structure of technology goods exports demonstrates the dominant position gained by Asia, and more particularly by China: nearly half of world exports come from Asia, and this could quickly rise above the half-way mark. Both during and after the crisis, the region has given proof of its very high capacity to adapt to highly volatile demand.

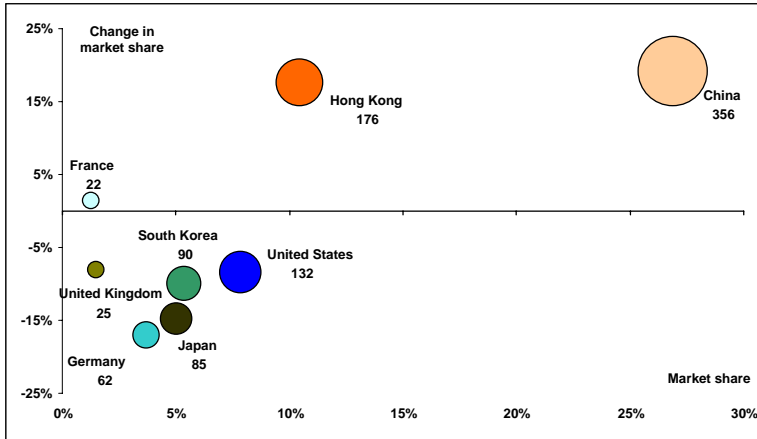
Asia is confirming and strengthening its position as the world technology goods factory, complemented by recent signals of the transfer of new product research and design. Asia is not only an abundant supply of low-cost labour at the centre of major shipping routes, it has also pursued its development beyond this role. Hong Kong and South Korea complete the regional system.

Several countries manage to retain a position in world technology goods exports, thanks to historical and/or industrial assets, such as the United States and Germany.

Technology goods: strengthening Asian dominance

China and Hong Kong each consolidated their position in global exports of technology goods between 2007 and 2010

Change in market share of world exports (2007 to 2010), totals in USD billions



▶ China increased its market share of exports from 22% to 26%

▶ Germany has lost ground, but it remains Europe's biggest exporter of technology goods

▶ South Korea has overtaken Japan

Sources: OECD, Eurostat, national figures

Technology goods: Asia controls the sector

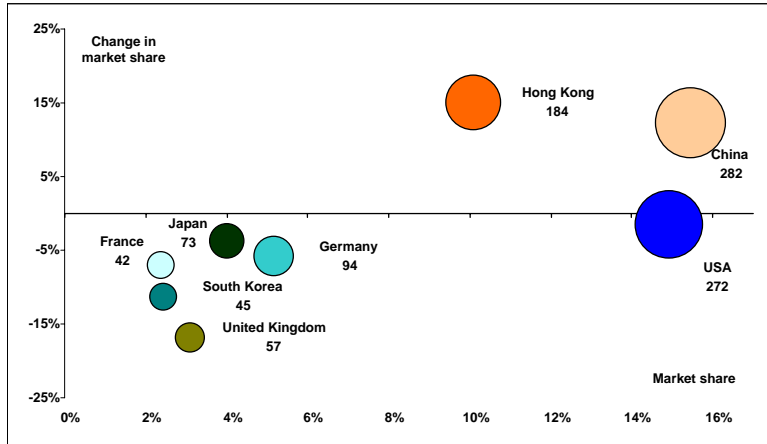
The two dominant countries, China and Hong Kong, have strengthened their positions. The growth of this dominance in technology goods exports is clearly apparent: these are the two major countries posting significant growth (more than 15%) in their exports. In the same way that already occurred in the crisis of the early 2000s, Asian countries have benefited from the situation to strengthen their positions. South Korea, more strongly positioned in supplying components, continues to enjoy a significant position, but it has been especially hit by the impact of reduced activity in downstream sectors.

Although down by 8%, US exports of technology goods are still the world's third biggest. Japan and Germany, with important positions in some products, have been hit by the difficulties of their clients, orders from which will need further time to recover. By comparison with these movements, the changes for France and the UK are only token.

Technology goods: strengthening Asian dominance

China and the US are the two leading importers of technology goods, but only Asia's share is advancing

Change in market share of world imports (2007 to 2010), total in USD billions



China is increasing its share of imports, in order to ensure its own production to technology goods and to meet growing domestic demand.

The stabilisation in US imports is confirmation of the maturity of the US markets for these goods and of its dependence on imports.

Sources: OECD, Eurostat, national figures

Technology goods: Asia controls the sector

China, Hong Kong and the United States are critical import markets for technology goods: together they account for a combined 40% market share.

The scale and growth of technology goods imports into China and Hong Kong highlights the existence of the trade surrounding these two countries, which are hubs of technology goods production. Their performances in terms of export market shares are accompanied, on the import side, by also significant, double-digit growth. China and Hong Kong play a critical role in the production of these products in other countries in Asia and in the existence of trade relations within the region. Their specialisation in the sale of electronic products has been an engine of growth both in their trade and in their economies.

The situation in the United States has remained relatively unchanged, marked by strong Asian technology goods demand and by stabilisation in US imports due to the economic slowdown. Developments in the other countries studied here confirm that their economies – and notably consumption and investment in these economies – were notably affected by the crisis.

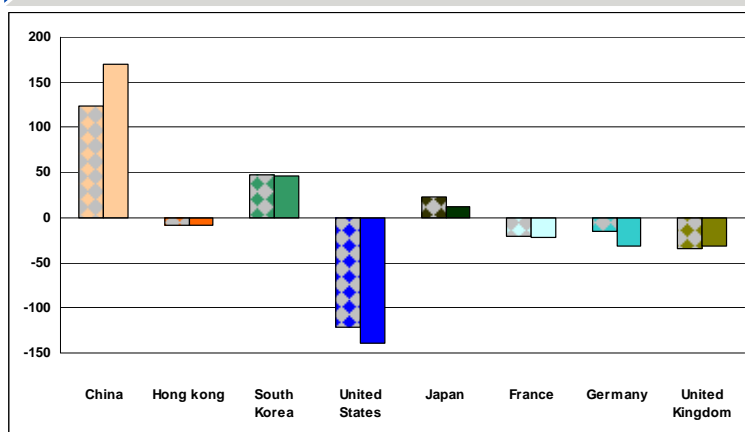
A: Sectors where exports have exceeded their pre-crisis level

Technology goods: strengthening Asian dominance



With China's and the US's trade balances moving in opposition directions, China's growing surplus echoes the worsening deterioration in US exports

Trade balance in 2007 and in 2010, totals in USD billions



China's trade surplus increased by 38% between 2007 and 2010, a movement amplified by its ability to recover rapidly after the crisis

At the same time, the US trade deficit in the sector rose by 16%, following lost export sales.

Sources: OECD, Eurostat, national figures

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Technology goods: Asia controls the sector

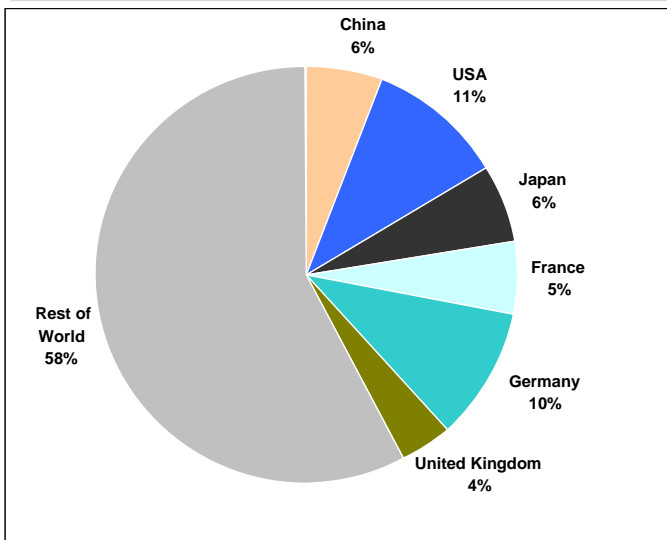
Balances as well as trade balance disequilibria have been confirmed or amplified with the crisis. China in 2010 posted a massive trade surplus of \$171 billion, compared to \$123 billion in 2007. In its wake, Hong Kong remains in near-equilibrium, while South Korea maintained the level of its surplus, at \$46 billion.

At the same time, the sectoral trade balances of Western countries, already in deficit, show barely any signs of improvement. Germany suffered in an environment of falling imports by other Western countries. The deterioration was especially great in the US, where the trade deficit in technology goods deepened, going from \$122 billion to \$140 billion, following the fall in US exports.

Chemicals: a sector with a low degree of concentration

The US and Germany have the largest shares of the world export market

▶ Six countries account for 42% of 2010 world exports



Sources: ITC, COMTRADE, EUROSTAT, national figures

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▶ World chemicals exports totalled USD 1.17 trillion in 2010, a 3% increase from 2007.

▶ China and Japan's market shares are nearly equal to one another.

Chemicals: world chemical exports have returned to their pre-crisis level

While the economic crisis impacted strongly on the chemicals sector between 2008 and 2009, since then it has recovered well, benefiting from the revival in world trade.

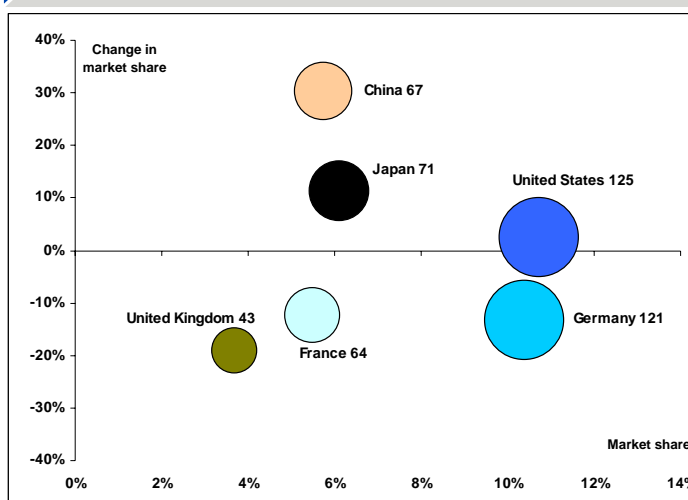
The historic leadership of the two leading countries in the sector, Germany and the United States, has not been dented. The two countries house three of the five top global chemical groups: BASF, Dow Chemical and Dupont de Nemours.

The global chemical industry remains little concentrated, with the developed countries in our sample accounting for a little less than half of total world exports in the sector. China is now on an equal footing with Japan, its closest competitor.

Chemicals: a sector with a low degree of concentration

Western Europe lost market share at the end of the crisis

Change in export market share (2007 to 2010), totals in USD billions



Sources: ITC, COMTRADE, EUROSTAT, national figures

▶ The two heavyweights of the chemicals sector (USA and Germany) retain a relative advance over the competition

▶ China and Japan are profiting from Asian growth

Chemicals: world chemical exports have returned to their pre-crisis level

Trailing the two countries that are the engines of the chemical industry, there are two groups of countries with different fortunes:

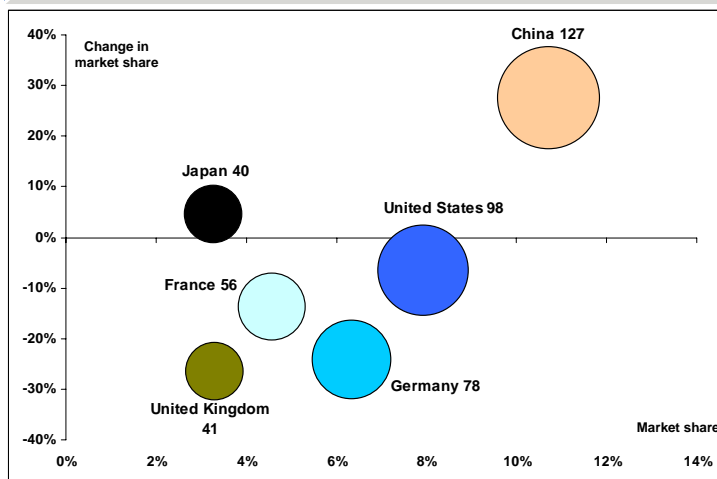
- China and Japan: with sectoral export growth of 30% and 10%, they benefit fully from Asia's economic takeoff.
- France and England (and, to a much lesser extent, Germany): these countries are feeling the effects of the sluggish Eurozone economy resulting from the crisis, and they are targeting their (huge) investment in capacities in the new growth areas of the Far East.

Compared to Germany, the US has been more successful in defending its export market share over the period. Solidly positioned in high value added ranges of chemicals – especially agricultural chemicals – both countries enjoy a comfortable lead over the competition.

Chemicals: a sector with a low degree of concentration

China is not managing to meet its domestic needs and is a massive importer.

Change in import market share (2007 to 2010), totals in USD billions



While the crisis hit exports from the leading western european countries, it also slowed the pace of their imports

Sources: ITC, COMTRADE, EUROSTAT, national figures

Chemicals: world chemical exports have returned to their pre-crisis level

The 2008-2009 crisis slowed the activity of many factories in Western Europe, bringing a significant decrease in the rate of growth of their chemical imports.

This slowdown is also due to the number of closures of sites becoming uncompetitive, especially in the European petrochemical sector, forced into profound restructuring because of the impact of competition from operators in the Middle East. Note, for example, the complete cessation of activity of the Reichstett refinery in France (which employed around 300 people) despite its owner, Petroplus, investing several million dollars in it after buying it from Shell in early 2007.

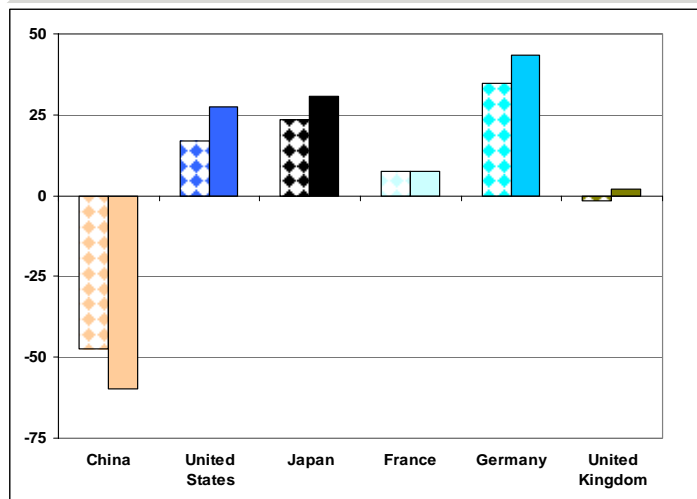
In this regard, it is interesting to note that the flow of chemical imports into the United States and Japan have not changed much over the period.

By contrast, China clearly shows its weakness of being completely dependent on foreign chemical supplies, and is still unable to meet its own domestic requirements.

Chemicals: a sector with a low degree of concentration

China is a long way off from being an exporting power in the chemicals sector

Trade balance in chemicals in 2007 and 2010 (totals in USD billions)



▶ The trade balances of France and the UK managed to stand up to the 2008-2009 crisis but did not manage to significantly rise, as they did in Germany and the United States.

Sources: ITC, COMTRADE, EUROSTAT, national figures

Chemicals: world chemical exports have returned to their pre-crisis level

Germany in 2010 posted a chemicals trade surplus of more than \$43 billion, higher than the pre-crisis figure.

In both the United States and Germany, chemical companies came out stronger from the economic crisis, at the expense of their counterparts in the UK and France, and even those in Japan, which have only modestly benefited from the revival in Asian economic growth.

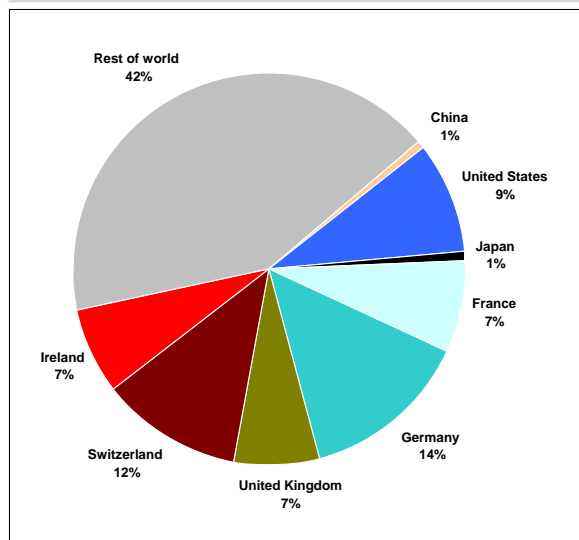
More striking is the worsening in China's chemicals trade deficit between 2007 and 2010, rising in the latter year to \$60 billion!

A: Sectors where exports have exceeded their pre-crisis level

Pharmaceuticals: export dominance based on accommodating tax regimes

European supremacy in pharmaceutical exports

▶ Eight countries account for 51% of 2010 world exports



▶ World exports of pharmaceuticals rose to USD 463 bn in 2010, up by 8% against 2007

▶ Germany and Switzerland are the two leading pharmaceutical exporters in the world market

Sources: ITC, COMTRADE, EUROSTAT, national figures

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Pharmaceuticals: dominance of the pharmaceutical sector in the developed countries

The economic crisis had little impact on the pharmaceuticals sector, with global exports rising by 8% between 2007 and 2010.

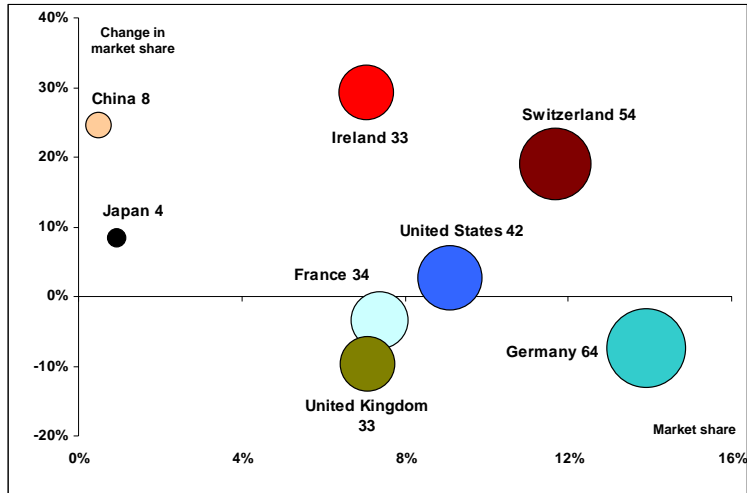
Unlike in the chemicals sector, Germany and Switzerland were the two export leaders in pharmaceuticals, with the United States trailing closely.

Switzerland benefits from innovative medicines from Novartis and Roche, two laboratories (notably active in cancer treatments) ranked in the world top ten. Besides Bayer, of course, Germany has many large family-owned companies, both in patented medicines (e.g., Boehringer Ingelheim and Fresenius Kabi) and in generics (e.g., Ratiopharm, recently bought by Teva).

Pharmaceuticals: export dominance based on accommodating tax regimes

Pharmaceuticals production in Ireland and Switzerland is nearly all exported

Change in export market share (2007 to 2010), totals in USD billions



China and Japan are only small exporters

Sources: ITC, COMTRADE, EUROSTAT, national figures

Pharmaceuticals: dominance of the pharmaceutical sector in the developed countries

In the pharmacy sector worldwide, between 2007 and 2010, three groups of countries have stood out:

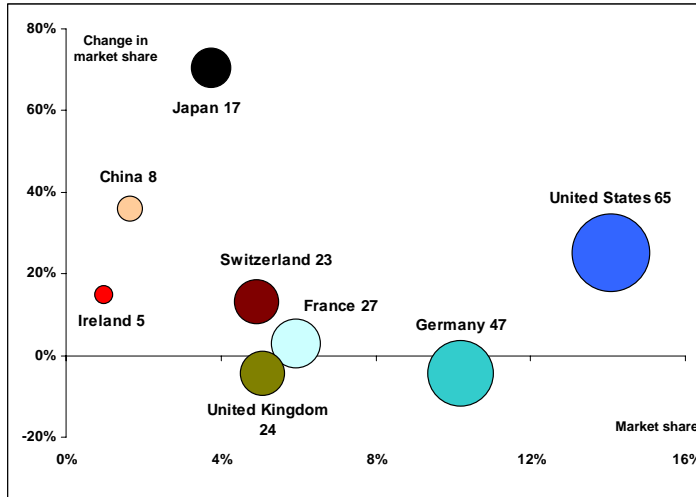
- The United States, Germany, France and the United Kingdom were able to defend their strong positions in export markets, despite their domestic markets not being as dynamic as before.
- Switzerland and Ireland have significantly expanded their export capacities. Ireland notably serves as a such a staging post for US laboratories looking to penetrate the European market.
- China and Japan have also been able to boost their export market shares, both however starting from a very low level.

A: Sectors where exports have exceeded their pre-crisis level

Pharmaceuticals: export dominance based on accommodating tax regimes

The United States is both the world's biggest pharmaceuticals market and its biggest importer

► Change in import market share (2007 to 2010), totals in USD billions



► China's pharmaceuticals industry is still only at an embryonic stage in relation to the size of its territory and of its population

Sources: ITC, COMTRADE, EUROSTAT, national figures

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Pharmaceuticals: dominance of the pharmaceutical sector in the developed countries

Pharmaceutical imports into European countries have remained relatively stable over the period. This small variation reflects their strong competitive position in the sector, which is based on solid foundations.

By contrast, the crisis did damage the competitiveness of American and especially Japanese pharmaceutical companies, for their part clearly slightly less innovative than their European competitors.

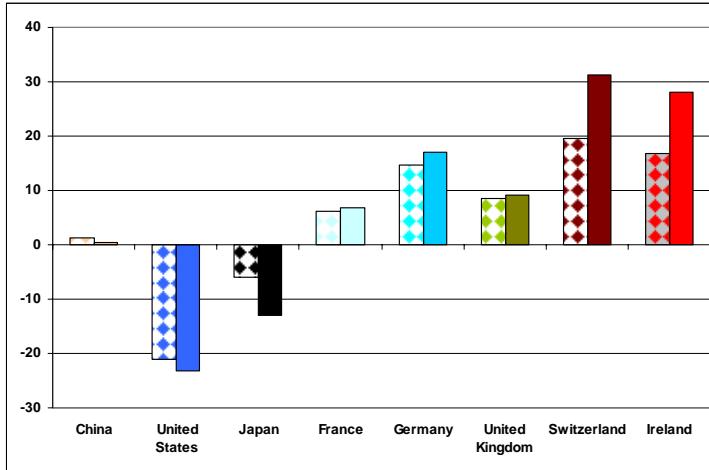
A: Sectors where exports have exceeded their pre-crisis level

Pharmaceuticals : export dominance based on accomodating tax regimes



Western Europe has not suffered from the impact of the crisis

Trade balances in 2007 and 2010 (totals in USD billions)



Sources: ITC, COMTRADE, EUROSTAT, national figures

▶ Ireland benefits from its tax regime, which is attractive to US pharmaceutical companies. Switzerland is home to Novartis and Roche, both of these among the world top ten.

▶ The Japanese market is becoming more open to european exports

Pharmaceuticals: dominance of the pharmaceutical sector in the developed countries

Western Europe can congratulate for specialising in this sector, which is little susceptible to the turbulence arising from economic crises. Across the European countries key to the industry – Switzerland, Germany, Ireland and even France – the sector has maintained an enviable competitive position on the world front. The level of their respective sectoral trade surpluses is a clear demonstration of this.

It is the United States and even Japan that are suffering the consequences. Their sectoral trade deficits grew even worse over the period. The fact that they are also the sector's two largest import markets (in terms of sales) is one reason for this.

China remains an insignificant player in the world pharmaceutical sector.

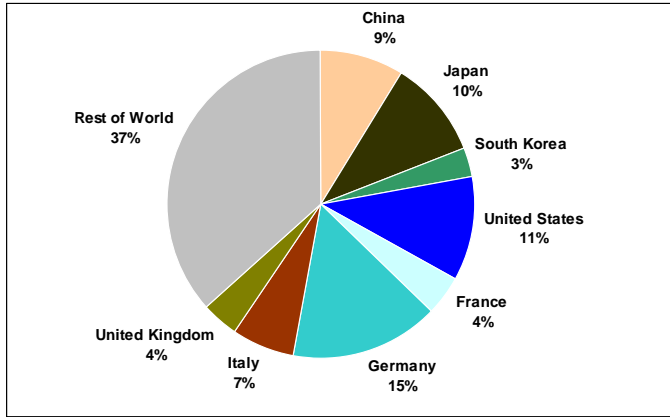
B: The sector in which exports have returned to their pre-crisis level



Capital goods: Asia at the heart of growth

Germany's lead position is unchanged, as is that of its direct challengers, Japan and the United States

Euler Hermes sample: 8 countries account for 63% of 2010 world exports



World trade in capital goods in 2010 achieved a value comparable that posted in 2007, at around USD 1.3 trillion

The global export dimension of the sector has been confirmed for European countries, which now see nearly half of their exports going to non-European trade partners (44% in 2007)

Capital goods: energy production equipment (nuclear reactors, boilers) / mechanical machinery, equipment and engines (metal goods for specialist or general industrial applications), and their components (excluding air, rail and maritime transport equipment).

Sources: ITC, COMTRADE, EUROSTAT, national figures

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Capital goods: Germany still dominant in a world market for capital goods driven largely by Asia

Over the period 2007-2010, Germany's competitive position eroded slightly (16% market share in 2007), but it retains its leadership in the sector, still ahead of the United States and Japan.

The rise of China (from 7% to 9% over the period) and South Korea (from 2% to 3%) has helped to increase the number of significant players in this market. Notwithstanding this, OECD countries continue to account for more than three-quarters of world capital goods exports of (against 84% in 2007).

The European Union, with a diminishing weight in global exports in the sector, did show a significant increase between 2007 and 2010 in exports to countries outside the EU, already a notable characteristic of the sector. Thus, almost 50% of EU exports of capital goods are now sent to partners outside the EU, while no more than 35% of total EU exports of goods and services go to outside the EU.

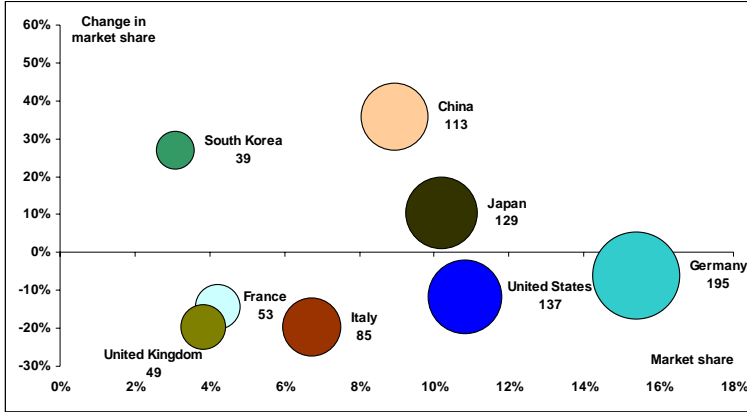
B: The sector in which exports have returned to their pre-crisis level

Capital goods: Asia at the heart of growth



Competition from China has sharply intensified, at the expense of players in Europe and the United States

Change in export market share (2007 to 2010), totals in USD billions



Between 2007 and 2010, exports from China, South Korea and Japan posted the strongest increases

In 2010, among western countries, only Germany approached its 2007 level of activity, thanks to its performance in the emerging markets

Sources: ITC, COMTRADE, EUROSTAT, national figures

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Capital goods: Germany still dominant in a world market for capital goods driven largely by Asia

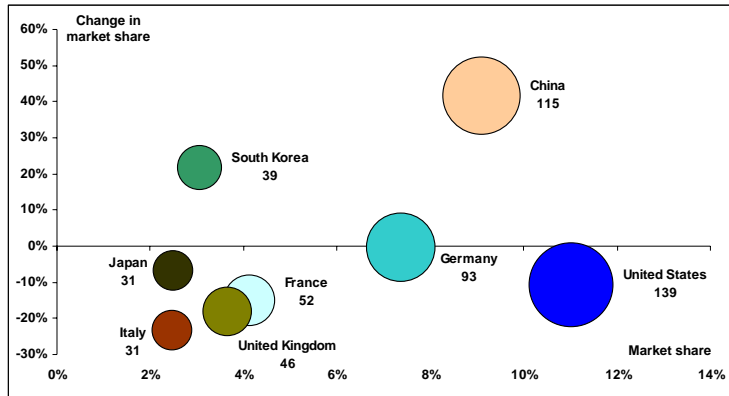
The recovery in the world capital goods market to its pre-crisis level (by value) does not equate to a situation identical to that of 2007. The market share gains posted by Asian countries reflect their sharp increases in exports over 2007-2010: by 40% for China, 31% for South Korea, and 14% for Japan. The latter two countries have, among others, greatly benefited from China's growth, with their capital goods exports to that country – now the world's second biggest economy – up by more than 70%. China has for its part increased its capital goods exports to all its partners, notably with a 61% increase to non-OECD countries and a doubling in exports to its other BRIC partners.

In 2010, Germany almost returned to its 2007 level of capital goods exports and so stood out from its European counterparts, with Italy, France and the United Kingdom all showing double-digit falls. German manufacturers managed offset the decline (around 12%) in their traditional markets (the OECD countries) by exploiting the avenues for growth in the emerging countries, with exports up by 70% to China and by 19% to non-OECD overall.

Capital goods: Asia at the heart of growth

In line with its economic importance, China has taken top position among the leading trio of major capital goods importers, between the United States and Germany

Change in import market share (2007 to 2010), totals in USD billions



Sources: ITC, COMTRADE, EUROSTAT, national figures

For China, the surge in imports between 2007 and 2010 reflects, among other things, the its policy of economic stimulus via investments between 2009 and 2010

Europe has seen a 13% decline compared to 2007, but Germany stands out with a much smaller drop

Capital goods: Germany still dominant in a world market for capital goods driven largely by Asia

The contrast between OECD and non-OECD countries is also shown in the total of their capital goods imports: OECD imports rose by almost 25% to around \$520 billion, while non-OECD imports have fallen by around 7%.

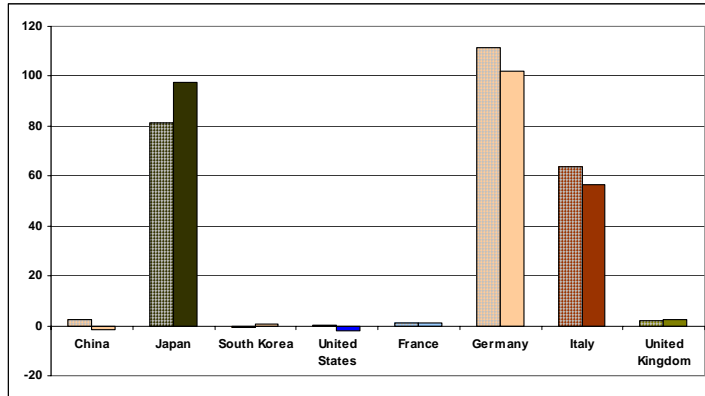
Echoing China's recovery plan in 2009, based primarily on stimulating investment and sustained growth, the country posted a substantial 46% increase in capital goods imports in 2010 compared to 2007. Japan and Germany have nearly half of the Chinese market, with respective market shares of around 28% and 18%. Exports to China from the other BRIC countries remain insignificant, at less than 1% of the total in 2010.

The world's largest market for capital goods, the United States, saw an 8% fall in imports, clearly reflecting economic circumstances in the country.

Capital goods: Asia at the heart of growth

Giving a strong positive impulse to trade balances, capital goods are crucial to the economies of Germany, Japan and Italy

Trade balances in 2007 and 2010 (totals in USD billions)



▶ Japan has been the major beneficiary of growth in the rest of Asia, increasing its trade surplus by 20% between 2007 and 2010

▶ The OECD countries, which together post a total capital goods trade surplus of around USD 250 billion with third countries, continue to benefit from growth in the emerging regions

Sources: ITC, COMTRADE, EUROSTAT, national figures

Capital goods: Germany still dominant in a world market for capital goods driven largely by Asia

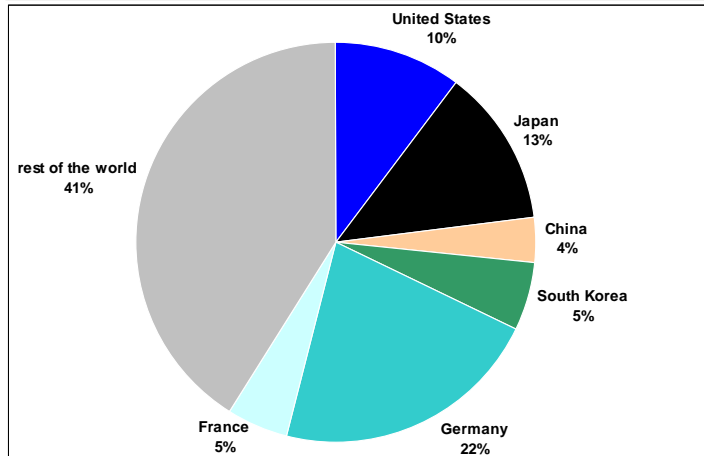
In 2010, Germany continued to enjoy the biggest trade surplus in the sector (more than \$100 billion), continuing its lead over both Japan (sharply up by 20% against 2007) and Italy. During 2010, Germany for the first time achieved more than half of its capital goods trade surplus from the emerging (non-OECD countries). Japan now derives nearly two-thirds of its trade surplus in the sector from these markets.

In 2010, China, which had a slight trade imbalance in 2009, was in a paradoxical situation, one that confirms the growth in South-South trade. Unsurprisingly, in fact, it posted a growing deficit (at \$47 billion up two-fold from 2007) with the OECD countries while, at the same time, amassing a comfortable surplus of around \$45 billion (+80% over the same period) with non-OECD countries.

Automobiles: confirmation of Germany's dominance

Global automobile exports, by value, remain dominated by Germany, with China still only a modest player

▶ Six countries account for 59% of 2010 world exports



▶ World automobile exports in 2010 totalled USD 1 trillion, still down by 16% against 2007

Automobiles: constructors and component manufacturers

Sources: ITC, COMTRADE, EUROSTAT, national figures

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Automobiles: while auto exports by value have not returned to their pre-crisis level, the German automotive industry has confirmed its dominance

The power of the German automobile industry and its top of the market positioning is clear, with global brands such as Mercedes, BMW and Audi helping to make the country the biggest exporter, in dollar terms, worldwide.

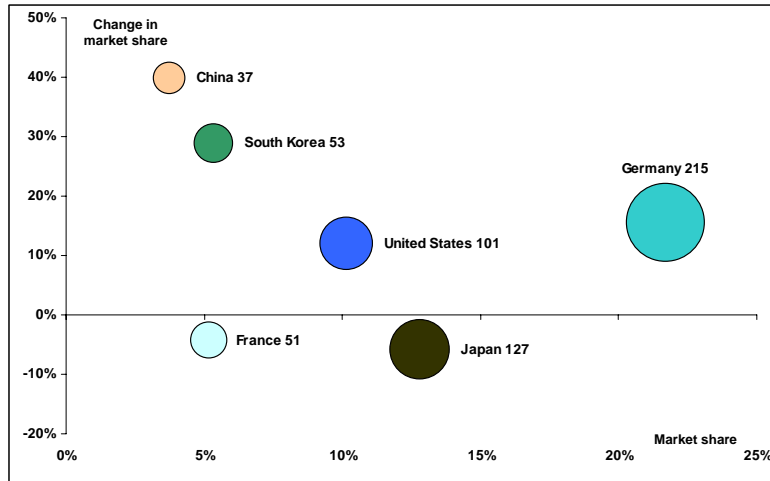
The auto sector is also highly concentrated, with five key countries – the United States, Japan, China, Germany and France – supplying 54% of world exports, and with a new strong player joining the sector, South Korea, notably with its very ambitious Hyundai-Kia group.

These six countries account for almost 60% of world auto sector exports. China's share is still modest, below that of France.

Automobiles: confirmation of Germany's dominance

German automobile exports, which are increasing, are twice as great as Japan's and four times as great those of France

Change in export market share (2007 to 2010), totals in USD billions



The decline in Japanese exports is due to their great exposure to the US market, which in 4 years has shrunk from sales of 17 million vehicles to a figure of 11.5 million. By value, Japanese exports to the US have fallen by 27%, or a revenue loss of some \$15 billion

Sources: ITC, COMTRADE, EUROSTAT, national figures

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Automobiles: while auto exports by value have not returned to their pre-crisis level, the German automotive industry has confirmed its dominance

Trailing Germany, whose auto sector growth and economic weight remain strong, two new players are appearing:

- China's exports have grown by 40% over the period by 40%, but the country remains, for now, a small player whose industry has not yet achieved the technological expertise of Western manufacturers.
- South Korea saw exports rise by almost 30% over the period, and its industry plans to be a force in all markets and already has a strong presence in the US and European markets.

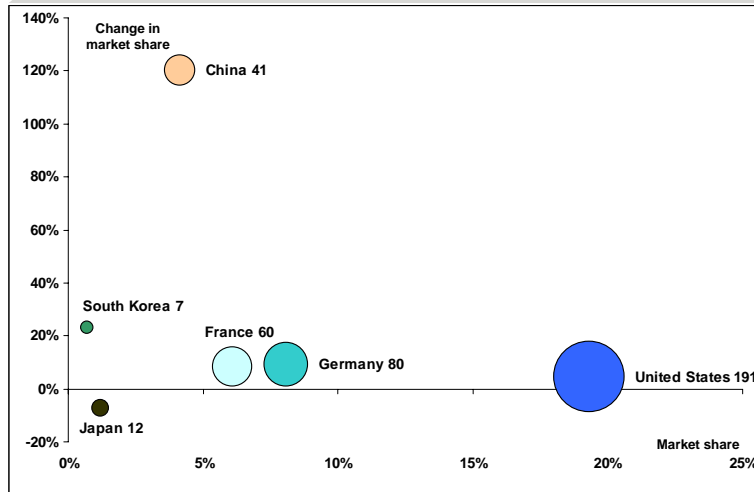
Two countries, by contrast, show a decline in export volumes:

- France has seen a contraction of 4%, mainly due to offshoring part of its production to low-cost countries.
- Japan, heavily dependent on its sales to the US, saw a significant fall in exports between 2007 and 2010, with the US volume of new vehicle registrations dropping from 17 million in 2007 to 11.5 million in 2010.

Automobiles: confirmation of Germany's dominance

While the US is by far the leading world importer, by contrast, Japan and Korea remain markets that are very closed

Change in import market share (2007 to 2010), totals in USD billions



▶ The rate of growth in Chinese imports seem remarkable, by China's relative share – at 4% of world imports – remains very low for a country that in 2010 became the world's biggest auto market

Sources: ITC, COMTRADE, EUROSTAT, national figures

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Automobiles: while auto exports by value have not returned to their pre-crisis level, the German automotive industry has confirmed its dominance

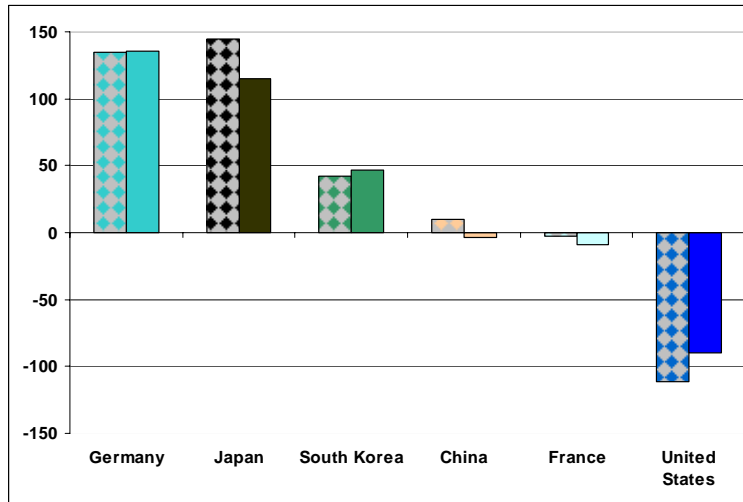
The volume of imports has remained fairly steady over the period, with the notable exception of China, where the emergence of middle and upper classes has opened the door to imports of mid-range and top of the line vehicles – not yet produced domestically – to the great benefit German car manufacturers .

Lastly, the extremely low volumes imported by South Korea and Japan reflect the very closed nature of these economies, by contrast with the United States, which remains by far the biggest vehicle importer and proof that the US auto industry is still convalescing.

Automobiles: confirmation of Germany's dominance

The two winners in the aftermath of the crisis are Germany and South Korea, whose trade balances have returned to or surpassed pre-crisis levels

Trade balances in 2007 and 2010 (totals in USD billions)



▶ The apparent improvement in the US trade balance arises from the collapse of its domestic market

▶ France's trade balance has been deteriorating for several years, with the offshoring of production of entry level models to low cost countries

Sources: ITC, COMTRADE, EUROSTAT, national figures

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Automobiles: while auto exports by value have not returned to their pre-crisis level, the German automotive industry has confirmed its dominance

Germany posted a sectoral trade surplus in excess of \$135 billion in 2010, slightly above the pre-crisis figure. This was not the case for Japan, heavily dependent on sales to the US market, which collapsed over the period of by 40%. Japan even so recorded a surplus of \$115 billion, down \$30 billion against its pre-crisis level.

While on the face of it the US auto sector trade deficit has eased, it nonetheless remains the biggest in the world, at \$90 billion in 2010.

South Korea confirmed its position and increased its sectoral trade surplus to nearly \$50 billion, a good result for its still young domestic auto industry.

Lastly, France's sectoral trade deficit has confirmed its yearly deterioration, with a deficit of nearly \$9 billion in 2010, compared to only \$2 billion in 2007.

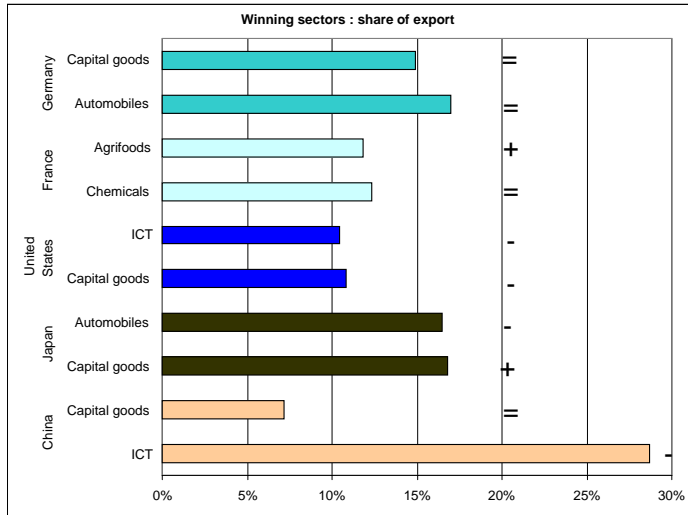
Has the 2008/2009 crisis redrawn the map of world trade? A cross sector/country analysis

- 1 A sharp revival in world trade in 2010
- 2 The winners and losers in world trade by sectors:
Little upheaval
- 3 Winner and loser sectors, by country

Winning sectors, by country

The relative share of a sector in a country's total exports

► Sector specialisation in the major countries (2010)



► The Japanese and German economies are very similarly dominated by the importance of automobile and capital goods exports

► In France, the structure of production is, more atypically, dominated by chemicals and agrifoods

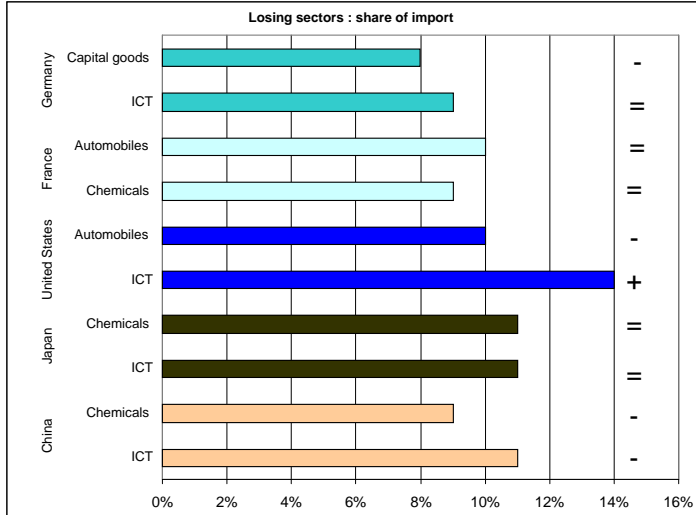
► China has profited from the globalisation of the ICT market to become the world market leader

Sources: ITC, COMTRADE, EUROSTAT, national figures

Losing sectors, by country

The relative share of a sector in a country's total imports

Sector dependence in the major countries (2010)



▶ Despite having their own auto industries, two countries are dependent on auto imports: the United States and France

▶ China's chemicals sector is hugely dependent on imports

▶ The globalisation of the ICT market – now the second biggest import sector in most countries

Sources: ITC, COMTRADE, EUROSTAT, national figures

Conclusion: the 2008/2009 crisis has slightly altered the international balances of manufactured goods trade



- ▶ Agrifoods : a growing demand from emerging countries has fuelled the economic growth of Brazil
- ▶ Technological goods : Asia has strengthened its competitive edge in the world market
- ▶ Chemicals : industrialized countries have had an edge over the others
- ▶ Pharmaceuticals : Europe and United States still rule
- ▶ Capital goods : german, japanese and american industries keep on prevailing the sector
- ▶ Automobiles: Germany in better shape, South Korea ramping up

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