



Risks in trading with emerging economies

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Introduction

Companies engaged in international trade were asked to rate ten risk types in their dealings with six specific economies irrespective of whether they were trading with the specific economies or not. Answers were given on a five-point scale, from “no risk” to “major risk”.

In the graphs the answers given in categories “no risk” and “minor risk” are taken together. The same applies to answers in categories “major risk” and “considerable risk”.

We then compared the risk ratings from companies trading in these economies with those that don't.

In the former case the ratings can be interpreted as “experienced in doing business with the economy involved”, and in the latter case, the ratings can be interpreted as “inexperienced in doing business with the economy involved”.

The USA is included in this survey as a benchmark economy.

Survey scope

Basic population

- Companies from six European countries were monitored (Belgium, France, Germany, Great Britain, Italy and the Netherlands);
- Those interviewed were responsible for accounts receivable management

Sample

- In each country, a quota was maintained according to three rough industry categories and two classes of company size;
- n=1198 persons were interviewed in total (approx. n=200 persons per country). Only respondents that do business abroad (n=627) were asked for their opinion about the emerging economies and the USA.

Interview

- Computer-aided telephone interviews (CATI) of approx. 12 minutes duration;
- Interview period: 20/08/2007 – 19/10/2007.

Sample overview: socio-demography

Economic sector (n=1,198)	n	%
Manufacturing	406	34%
Wholesale / Retail / Distribution	382	32%
Services	410	34%
<hr/>		
Turnover (quoted, n=1,198)	n	%
1-10 million Euro / 700,000 GBP-7 million GBP	454	38%
Over 10 million Euro / over 7 million GBP	744	62%

Emerging economies engaged in business and period engaged in trade

Emerging economies companies trade with

	Does your company do business with one or more of the following countries?						Total (n=1.198)
	The Netherlands	Belgium	France	Germany	United Kingdom	Italy	
None	64,5%	68,7%	80,2%	60,1%	65,2%	55,3%	65,8%
India	13,5%	8,7%	5,4%	8,8%	10,8%	15,6%	10,4%
China	21,9%	16,2%	8,1%	19,6%	12,1%	21,8%	16,4%
Russia	17,2%	12,3%	7,0%	24,3%	11,2%	22,0%	15,4%
Brazil	11,4%	8,8%	3,3%	8,9%	8,5%	10,6%	8,7%
Mexico	13,8%	9,1%	2,6%	8,6%	5,0%	10,9%	8,4%
USA	21,1%	21,5%	11,8%	22,9%	30,4%	28,7%	22,5%

The table above depicts the degree to which companies from the six European countries studied trade with emerging economies and the US. In Italy and Germany, most companies trade with at least one emerging economy. Trading with emerging economies is lowest in France.

Companies in the UK and Italy trade on average with two emerging economies, which is significantly more than companies from the Netherlands, France and Belgium.

On the other hand, where Dutch companies do trade with emerging economies, they do business with three economies on average. 10% of Dutch companies that do international business even trade with all six emerging economies.

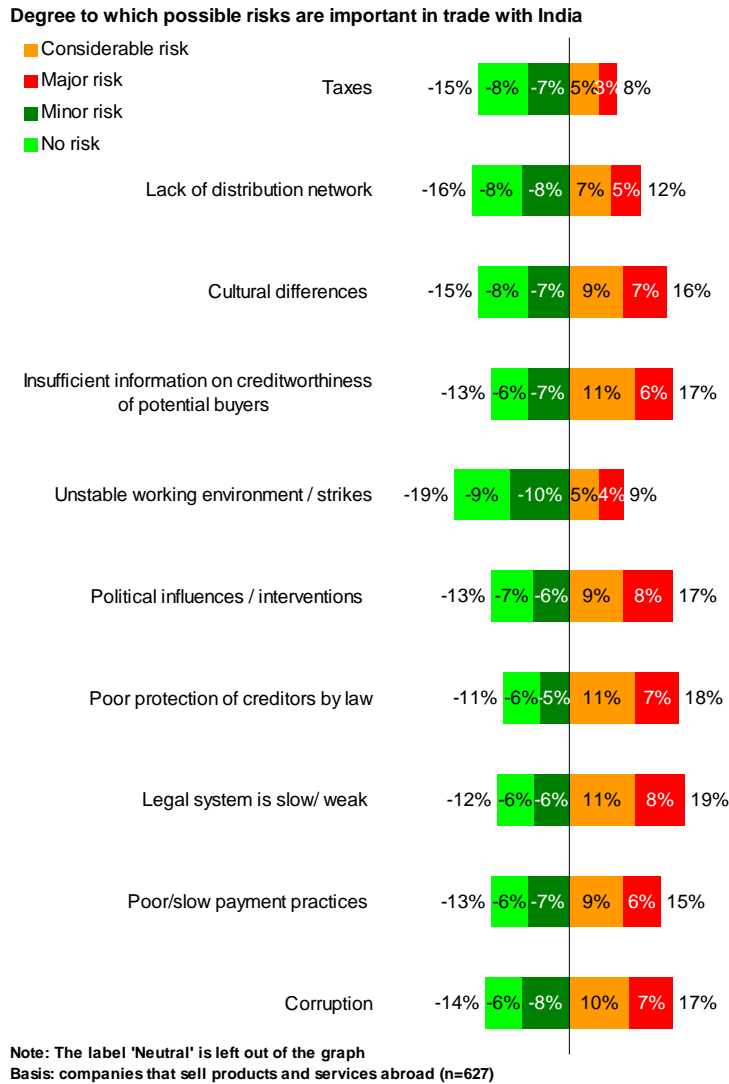
Number of years companies trade with emerging economies

	Length of time trading with specified nation										No trading with specified nation		Total
	Less than 6 months		Between 6 months and a year		More than a year		Unknown period		Subtotal		n	%	n
	n	%	n	%	n	%	n	%	n	%			
India	4	0,3%	11	0,9%	109	9,1%	0	0,0%	124	10,4%	1.074	89,6%	1.198
China	4	0,3%	13	1,1%	178	14,9%	1	0,1%	196	16,4%	1.002	83,6%	1.198
Russia	4	0,3%	18	1,5%	163	13,6%	0	0,0%	185	15,4%	1.013	84,6%	1.198
Brazil	2	0,2%	6	0,5%	95	7,9%	1	0,1%	104	8,7%	1.094	91,3%	1.198
Mexico	6	0,5%	4	0,3%	91	7,6%	0	0,0%	101	8,4%	1.097	91,6%	1.198
USA	2	0,2%	4	0,3%	264	22,0%	0	0,0%	270	22,5%	928	77,5%	1.198

In general, those trading with emerging economies have done so for over a year. China and Russia are mentioned most often as trade partners, with India coming in third.

India

Risks in international trade with emerging economies



In trading with India, political influences, poor legislation to protect creditors, weaknesses in the legal system, insufficient information on

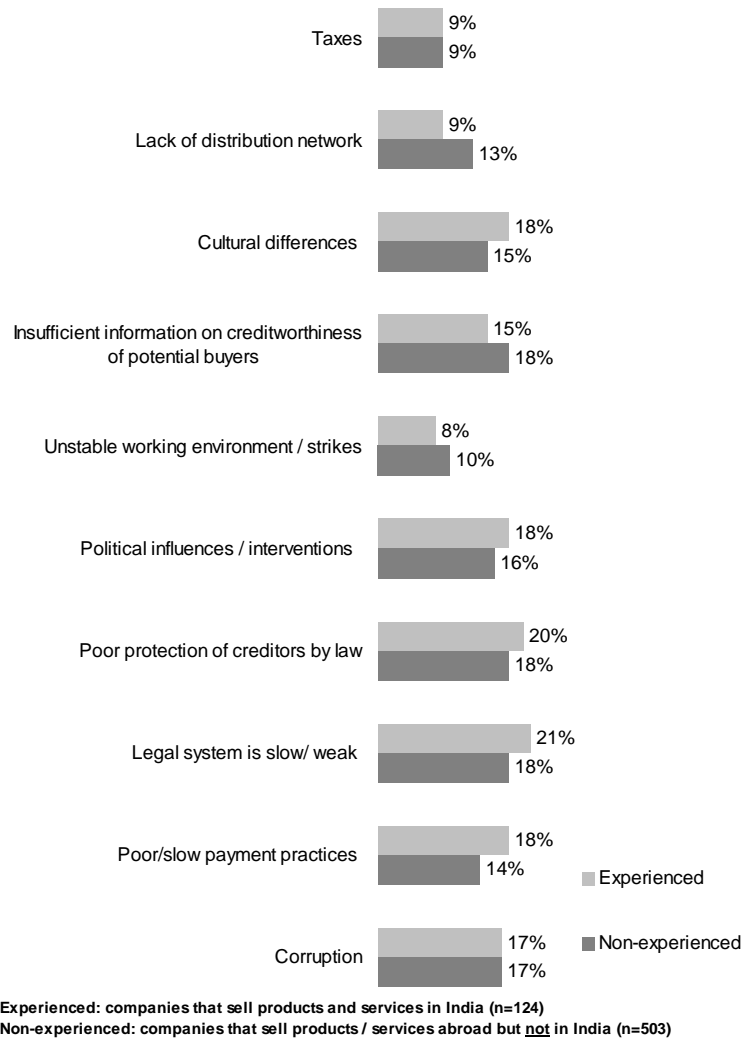
creditworthiness of potential buyers and corruption are seen as the main risks.

An unstable working environment is viewed as less of a risk.

India

Risks in international trade with emerging economies: perception vs. experience

Degree to which possible risks are important in trade with India



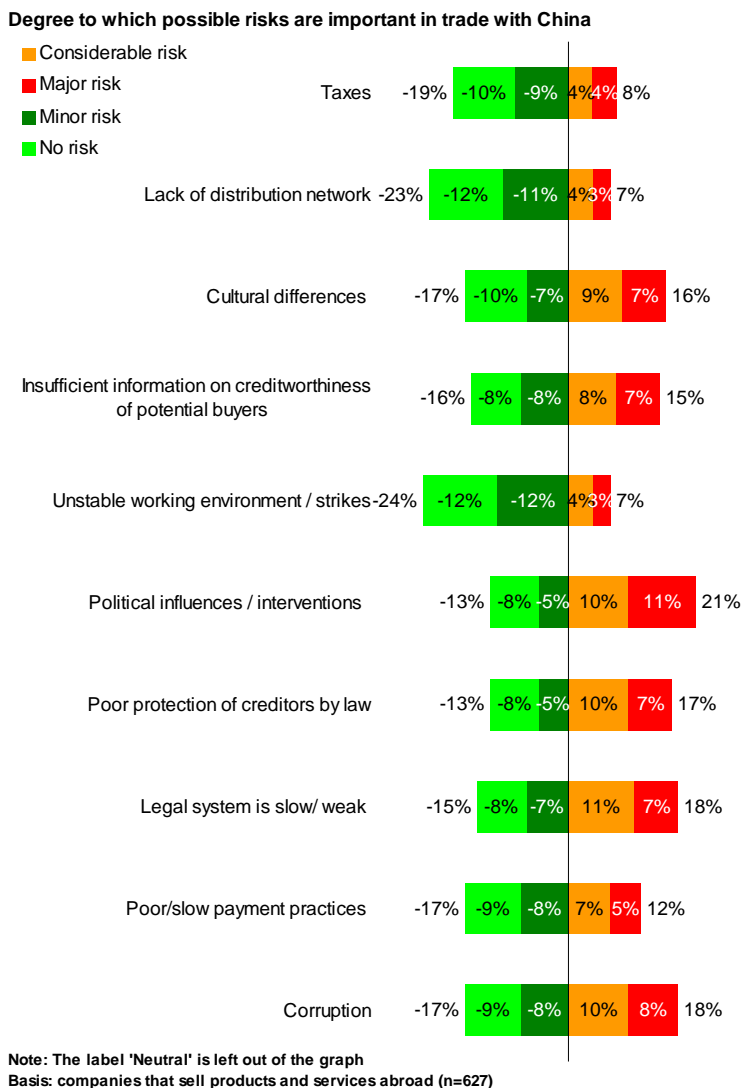
Cultural differences, political influences / interventions, poor legislation to protect creditors, weaknesses in the legal

system, poor/slow payment practices and corruption are the main risks mentioned by companies trading with India.

With corruption as the sole exception these risks tend to be rated lower by companies not trading with India.

China

Risks in international trade with emerging economies



In doing business with China, political influences, poor legislation to protect creditors, and weaknesses in the legal system are seen as the main risks.

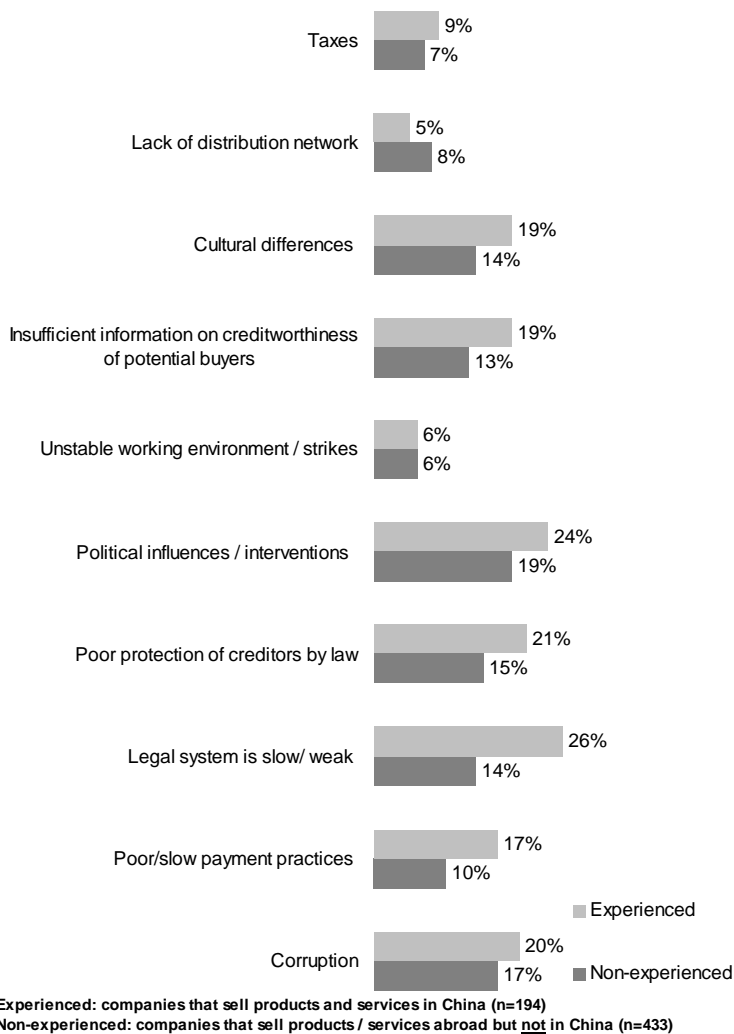
Unstable working environment, lack of distribution network, poor payment practices and taxes are seen as less of a risk.

Opinions are divided on whether corruption and cultural differences are considered a risk or not.

China

Risks in international trade with emerging economies: perception vs. experience

Degree to which possible risks are important in trade with China



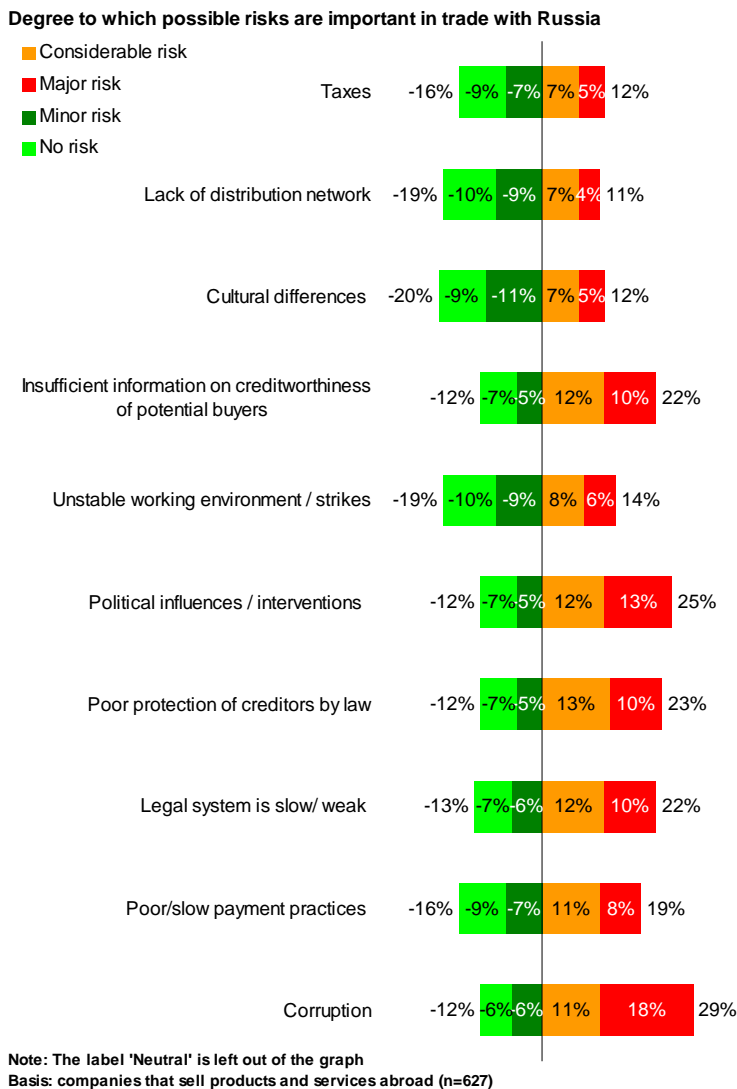
In trading with China, the main risks highlighted by businesses doing so were cultural differences, insufficient information on potential buyers, political influences,

poor legislation to protect creditors, weaknesses in the legal system and corruption.

All risks were, to some degree, rated lower by companies not trading with China. Weaknesses in the legal system seem to be largely underestimated as a risk by companies not trading with China.

Russia

Risks in international trade with emerging economies



In trading with Russia, insufficient information on creditworthiness of potential buyers, political influences, legislation to protect creditors,

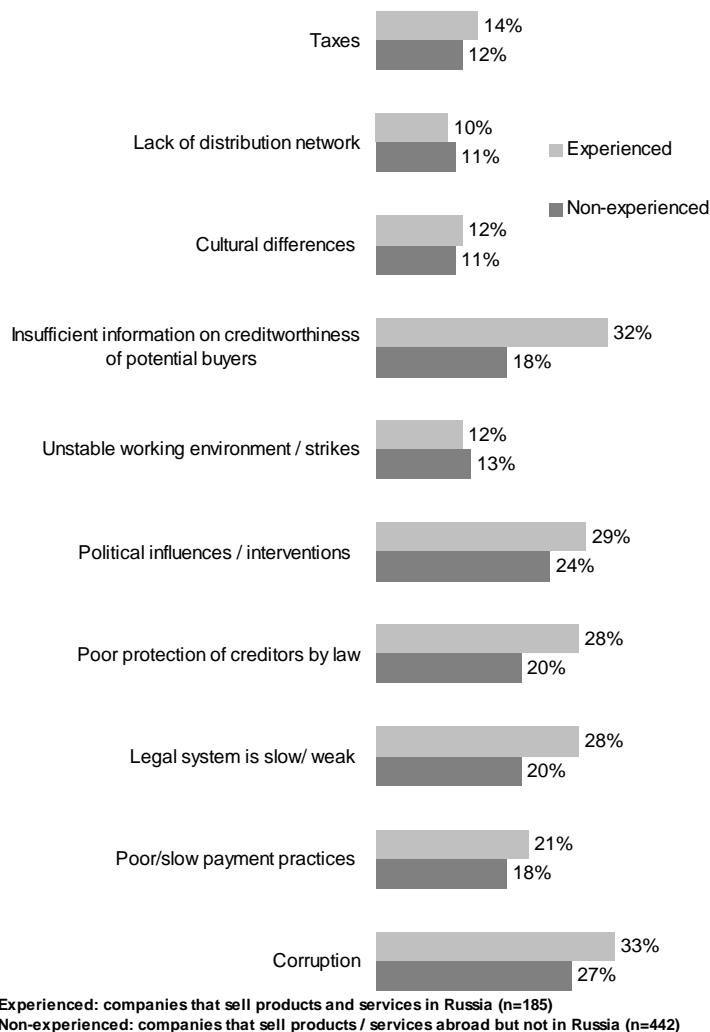
weaknesses in the legal system, poor payment practices and corruption are seen as the main risks.

An unstable working environment, cultural differences and a lack of distribution infrastructure were seen to be lesser risks.

Russia

Risks in international trade with emerging economies: perception vs. experience

Degree to which possible risks are important in trade with Russia



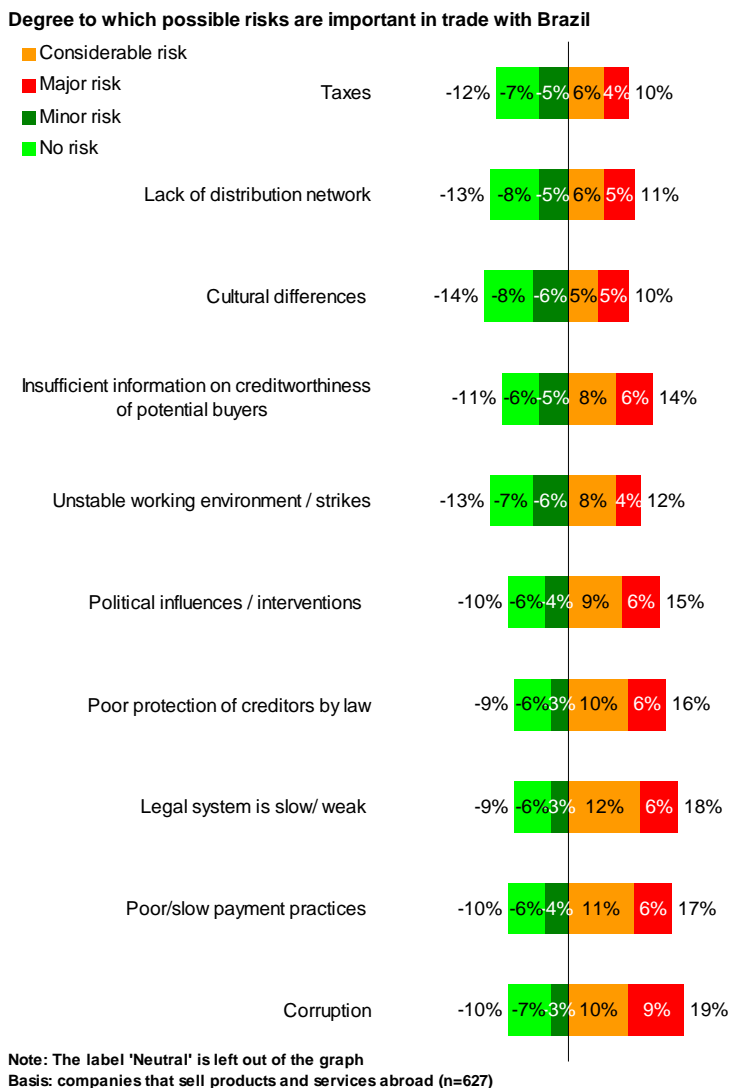
Amongst companies trading with Russia, insufficient information on creditworthiness of potential buyers, political influences, poor legislation to protect creditors, weaknesses

in the legal system, poor payment practices and corruption were seen as the main risks by companies.

All these risks, especially the insufficient information on creditworthiness of potential buyers, are rated lower by companies not trading with Russia.

Brazil

Risks in international trade with emerging economies

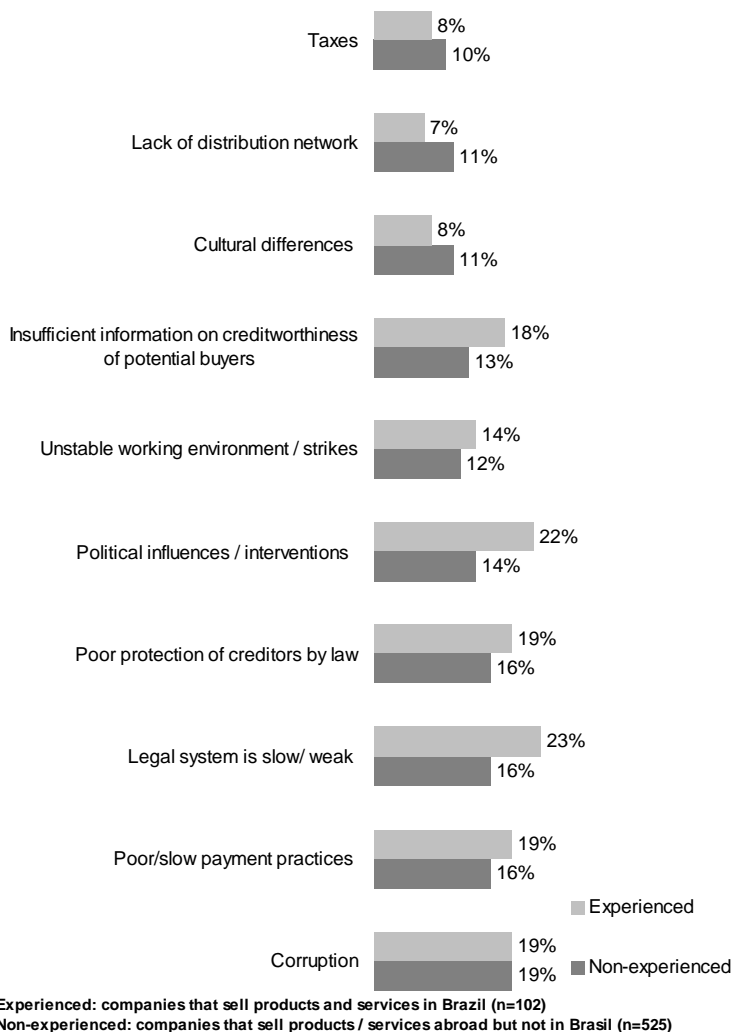


In doing business with Brazil, weaknesses in the legal system, poor / slow payment practices and corruption are seen as the main risks.

Brazil

Risks in international trade with emerging economies: perception vs. experience

Degree to which possible risks are important in trade with Brazil



In doing business with Brazil, insufficient information on creditworthiness of potential buyers, political influences, poor legislation to

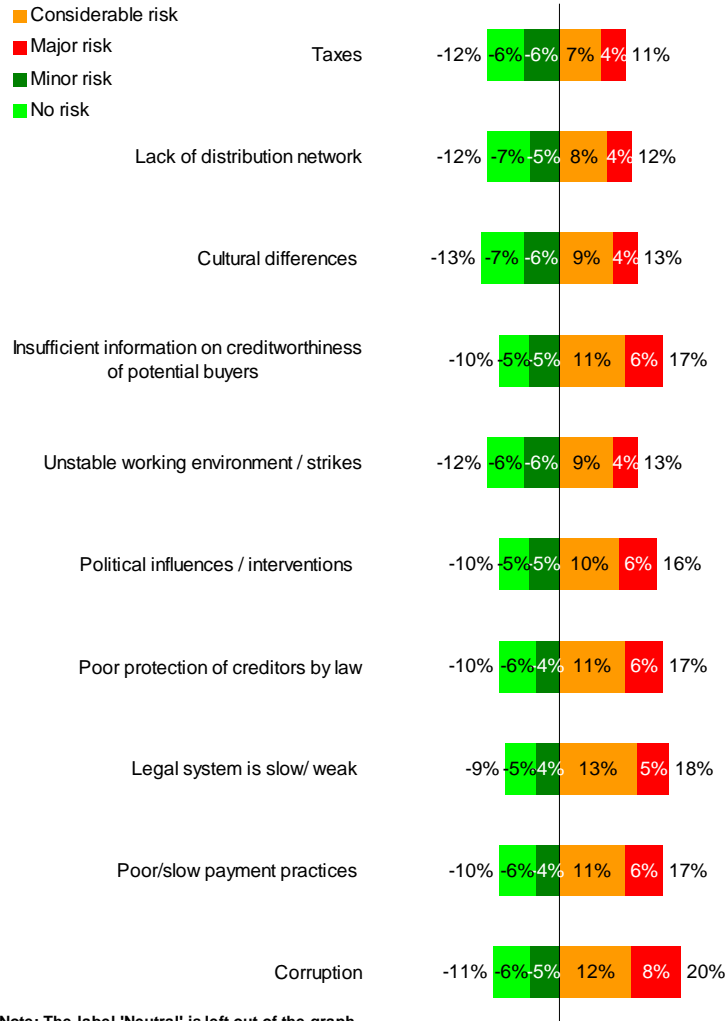
protect creditors, weaknesses in the legal system, poor / slow payment practices and corruption are seen as the main risks.

Most of these risks, corruption excluded, are to some extent rated lower by companies not trading with Brazil.

Mexico

Risks in international trade with emerging economies

Degree to which possible risks are important in trade with Mexico



Note: The label 'Neutral' is left out of the graph
 Basis: companies that sell products and services abroad (n=627)

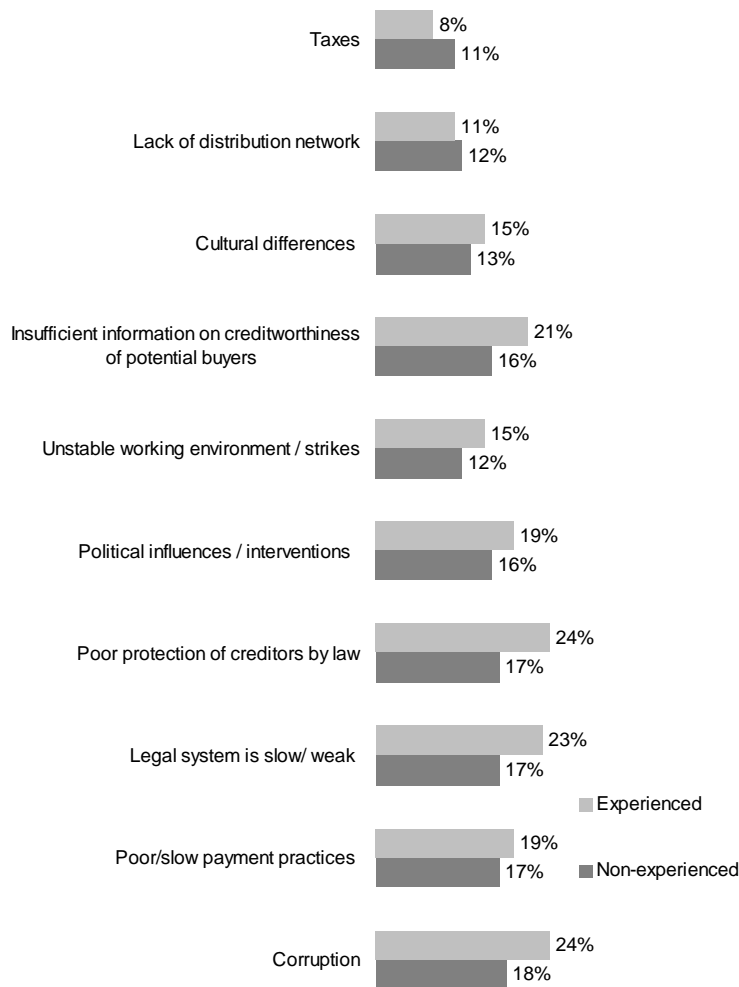
In trading with Mexico, insufficient information on creditworthiness of potential buyers, poor legislation to protect creditors, weaknesses in

the legal system, poor payment practices and corruption are seen as the main risks.

Mexico

Risks in international trade with emerging economies: perception vs. experience

Degree to which possible risks are important in trade with Mexico



Experienced: companies that sell products and services in Mexico (n=101)
 Non-experienced: companies that sell products / services abroad but not in Mexico (n=526)

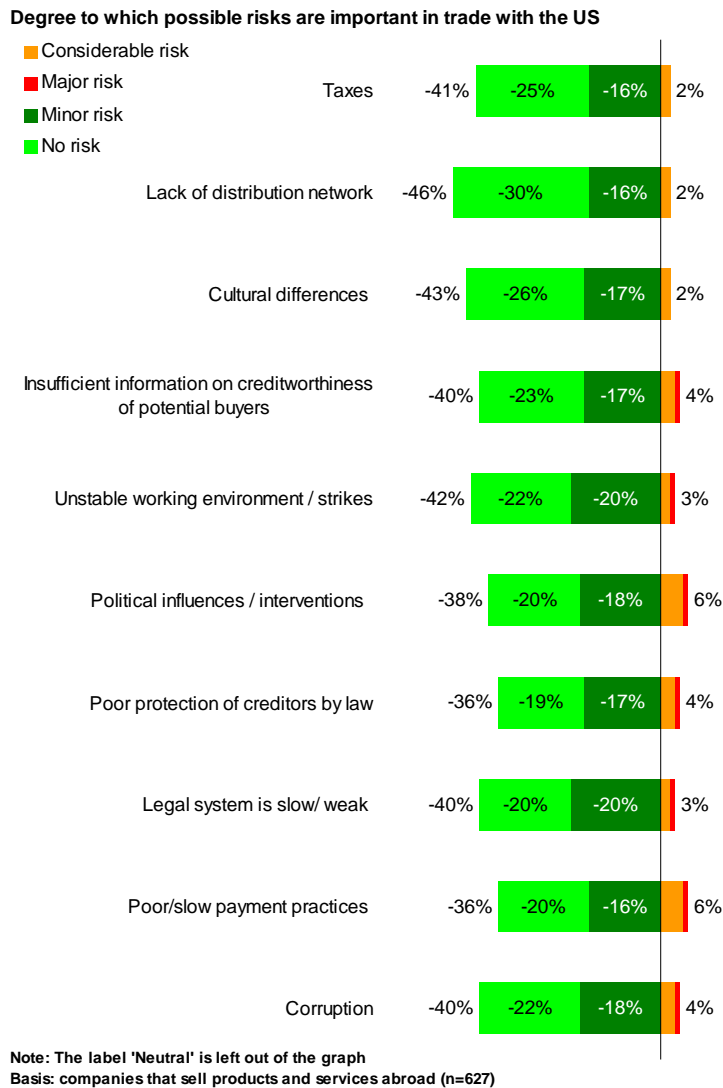
Insufficient information on creditworthiness of potential buyers, political influences, poor legislation to protect creditors, weaknesses

in the legal system, poor payment practices and corruption are mentioned as the main risks by companies trading with Mexico.

All these risks are rated lower by companies not trading with Mexico.

USA (Benchmark)

Risks in international trade

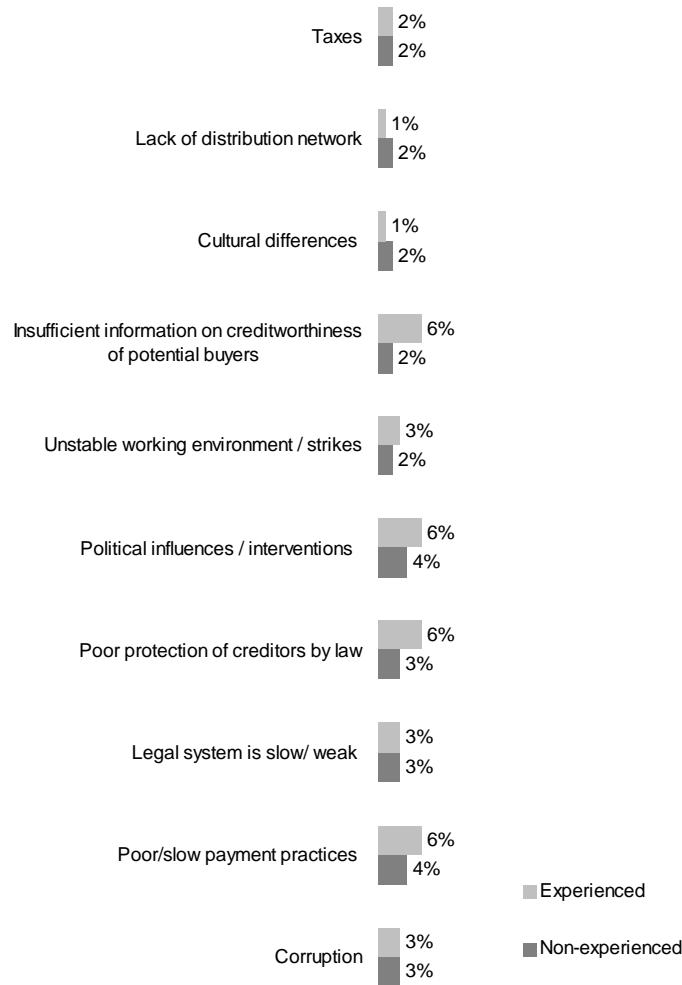


The USA is included in this survey as a benchmark economy. None of the possible risks taken into account within the scope of this survey are seen as a risk in doing business with the USA. In fact, all these risks are rated 'no risk / a minor risk' in doing business with the USA.

USA (Benchmark)

Risks in international trade: perception vs. experience

Degree to which possible risks are important in trade with USA



Experienced: companies that sell products and services in the USA (n=270)
 Non-experienced: companies that sell products / services abroad but not in USA (n=357)

The USA is included in this survey as a benchmark economy. No notable risks are

reported by businesses trading or not trading with the USA.

Summary

In trading with emerging economies India, Russia, China, Mexico and Brazil, the predominant risks seen are insufficient information on creditworthiness of potential buyers, political influences, poor protection by law, weakness in the legal system and corruption.

By contrast, none of these risks are significant in trading with the USA the benchmark economy for this survey.

Of general note, risks in trading with emerging economies are rated lower by companies not yet trading with them.

**Your contact at
Atradius**

Corporate Communications

Andrea Riedle
Phone: +31 20 553 2052
Email: andrea.riedle@atradius.com

Atradius N.V.
Keizersgracht 28
P.O. Box 473
1000 AL Amsterdam
The Netherlands

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Atradius N.V.
Keizersgracht 281, Amsterdam
P.O. Box 473, 1000 AL Amsterdam
The Netherlands
Phone: +31 205539111
Fax: +31 205532811
Internet www.atradius.com