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New report by Jardine Lloyd Thompson in Asia finds political and economic risk in emerging markets at its highest in 20 years

Hong Kong, 14 July 2003: There is currently a significantly heightened risk facing international companies, traders and banks due to an unparalleled number of adverse circumstances and threats in play simultaneously in the global economy, according to a new report by JLT in Asia, the leading political risk broker in Asia.

The report “**Political Risk and Country Economic Risk**”, concludes that if any threat, political or economic, crystallises over the next few months, the knock-on effect could cause a loss in economic confidence triggering capital flight, instability, political violence and terrorism in many emerging markets.

“Whilst any trade or investment carries with it inherent risks, trading and investing in Asia presents region specific political and credit risk issues that need to be addressed,” said Mr Julian Hudson, Director of the Capital Risk Division of Jardine Lloyd Thompson in Asia.

The report highlights a number of “trigger scenarios”:

- “Shock and awe” attacks by terrorists to destabilise the Middle East and Asia;
- Ongoing country conflicts in several countries including Indonesia and the Philippines;
- Economic failure in key regions and countries;
- Political elections with the potential to trigger local violence and economic uncertainty.

The report concludes that there is so much “bad news” facing investors currently – including severely depressed equity markets, heavy levels of credit loss in the banking sector, low investor confidence, the pensions crisis in many western countries, and the failure of the Japanese economy to recover– that it would only take one major new adverse development to cause significant instability.

“The probable consequence of a major incident sparking a collapse of confidence would be for liquidity and capital to exit from emerging markets, leading to considerable instability. Inevitably, pressure would grow for exchange controls to preserve scarce foreign exchange for essential imports.

Devaluation and default could follow and we would expect to see a dramatic increase in company and bank failures, economic turbulence and unemployment potentially leading to greater civil unrest, poverty and economic uncertainty,” Mr Hudson explained.

International business could expect to incur losses from several directions:

- Customers and suppliers default on contracts;
- Failure of local banks – letters of credit dishonoured and transfer of funds may be frustrated;



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- Repatriation of dividends, profits, royalties and licence payments from overseas;
- Local market for products may implode;
- Local operations may be disrupted by government intervention and discrimination or through political violence, terrorism and civil disturbances.

“These scenarios may seem extreme but the reality today is that there is a far greater level of uncertainty than ever before. Companies operating in Asia should carefully review their existing insurance arrangements in regard to political risks, terrorism, and credit risks to ensure that they have, where possible, adequate protection to address and mitigate these exposures,” Mr Hudson concluded.

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Note to Editors:

JLT is a leading provider of insurance and risk management expertise in the Asian region. The business has had operations in Asia since 1836. Today, employing over 600 industry professionals in 10 different Asian countries, JLT is ideally positioned to provide new, innovative solutions that enable our clients to compete more effectively and to have a positive impact upon their financial performance.

About JLT Group plc

JLT Group plc is the largest UK and European-based insurance broker and employee benefits consultant quoted on the London Stock Exchange with a market capitalisation in excess of £1 billion (US\$1.5bn). JLT operates in 30 countries and employs over 4,000 staff and services premiums of approximately £3 billion (US\$4.5 billion).

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