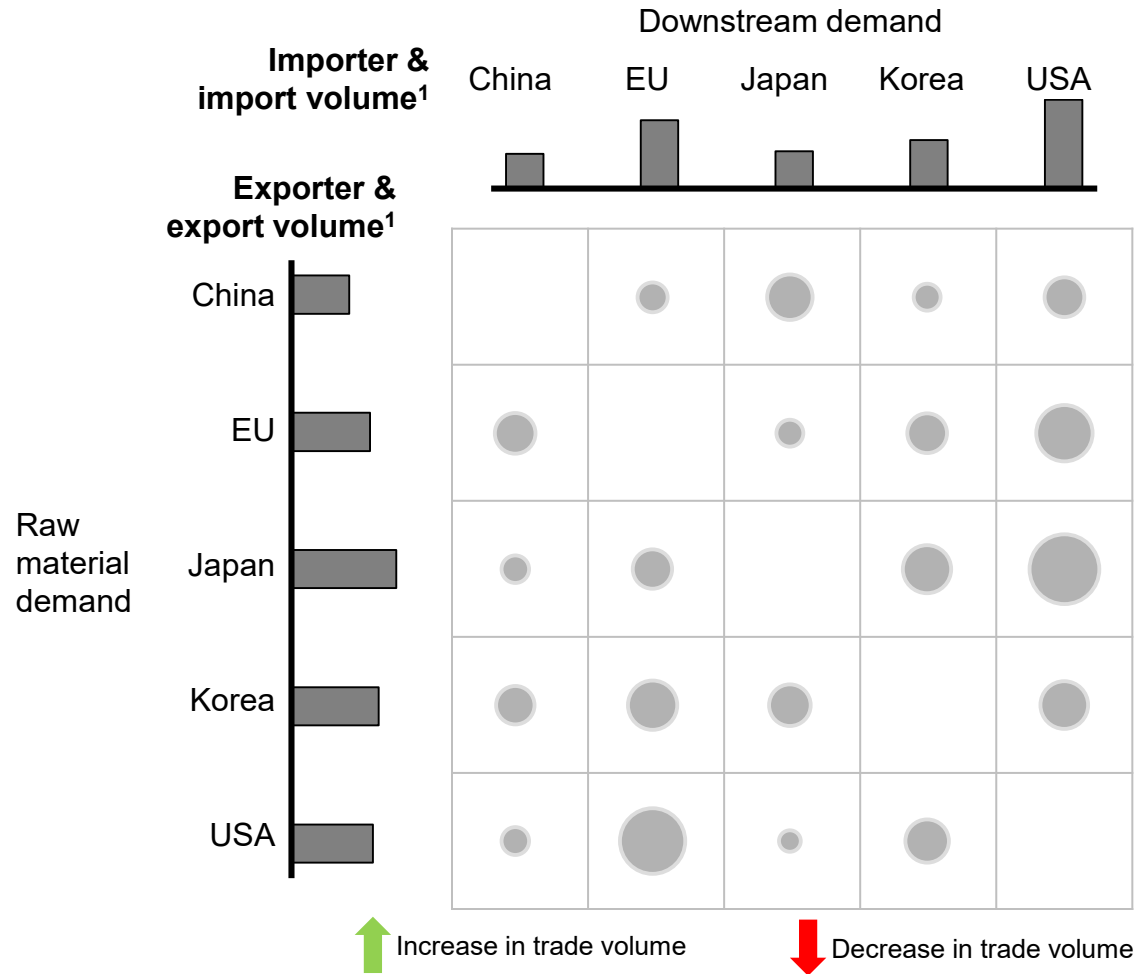


AS-IS SITUATION: GLOBAL TRADE FLOWS



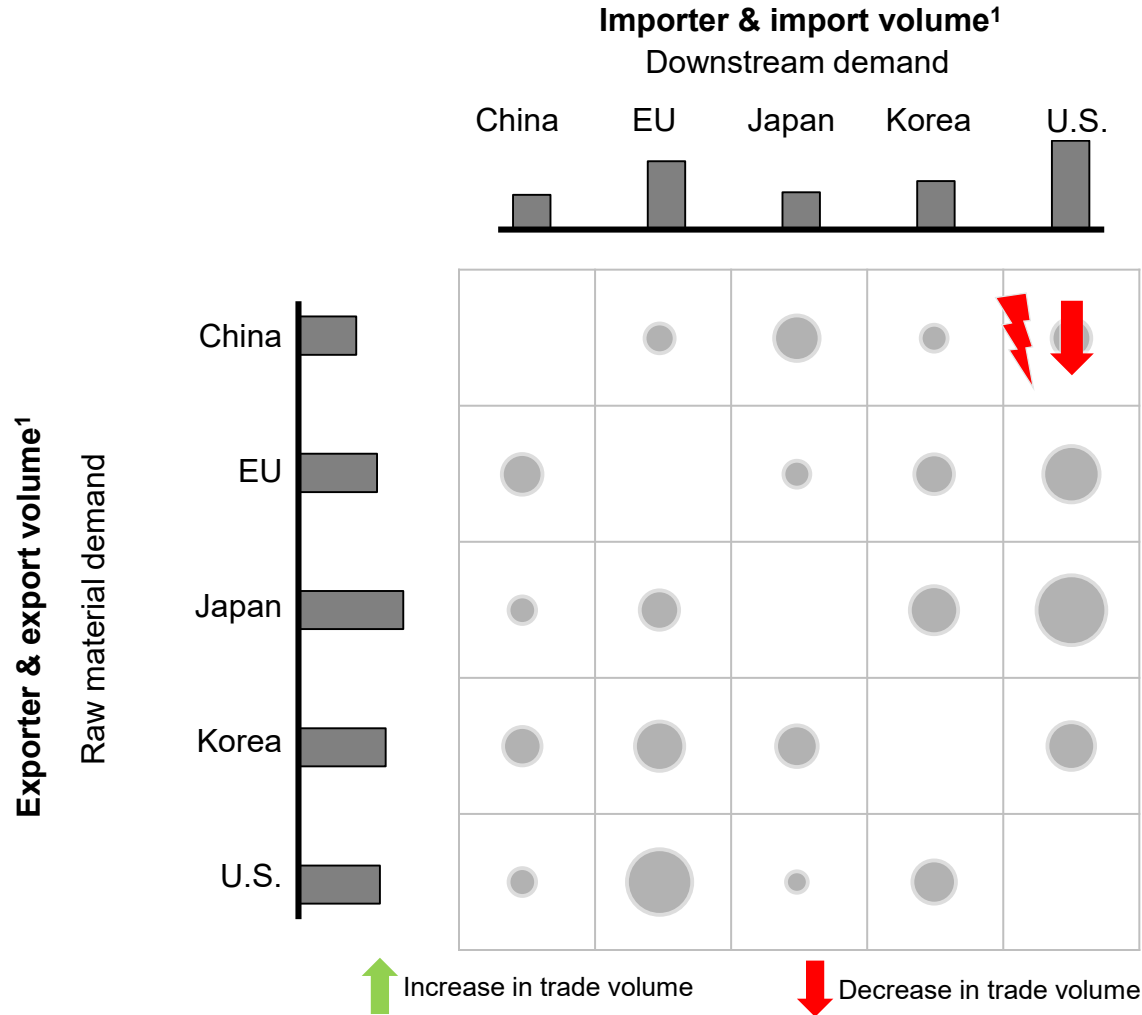
Comment

- Trade flows between countries not impacted by tariffs
- Export and import volumes driven by dynamics of (free) global demand & supply

As-is trading volume: example: esters of acrylic acid and monocarboxylic acids

¹ 2016 Trading volumes based on reported import numbers of tariff number HS291612 of top 5 importers (China, EU, Japan, Korea and USA) (Acids; unsaturated acyclic monocarboxylic acids; esters of acrylic acid); <https://comtrade.un.org/>

TARIFF REDUCES THE TRADE FLOW FROM TARIFFED COUNTRY



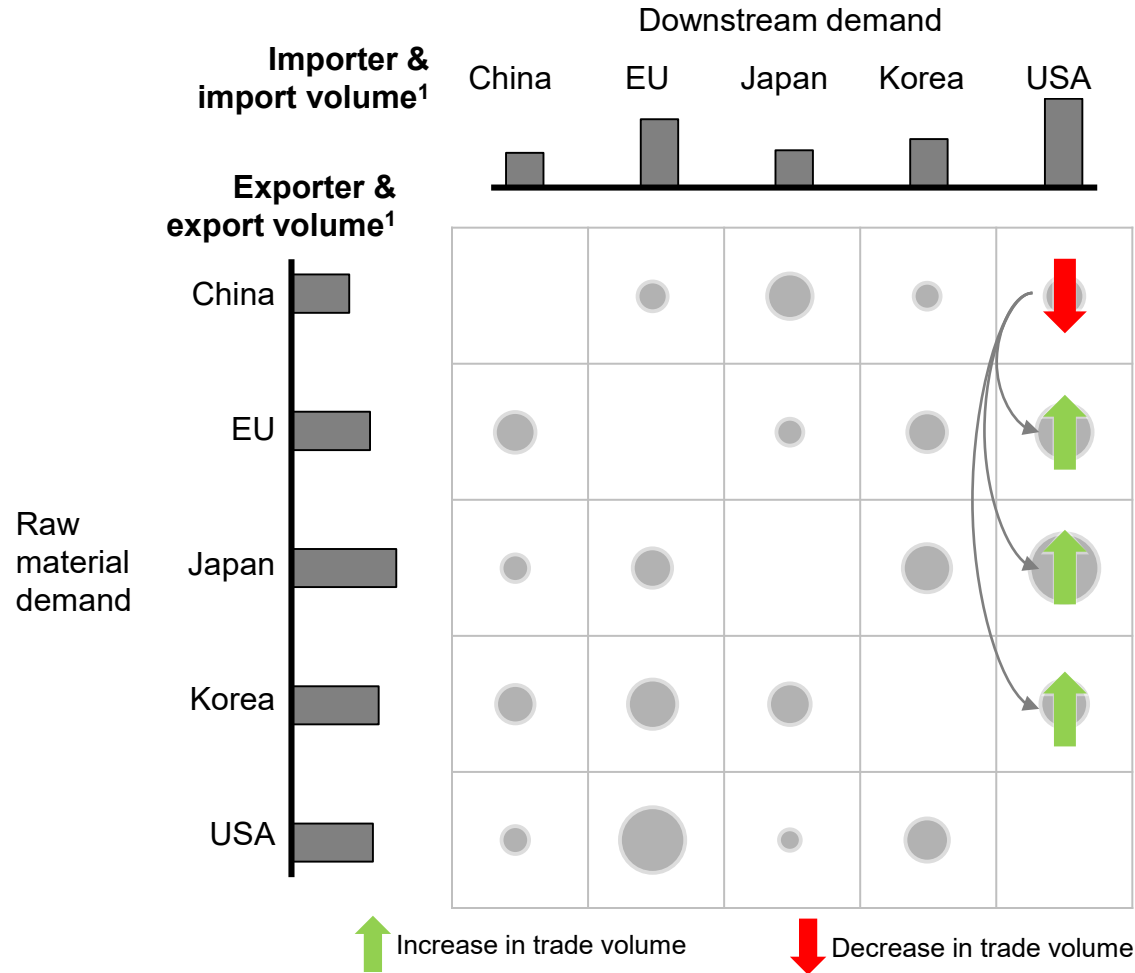
Comment

- Trade tariff imposed between USA and China for relevant material/ product group
- Tariff leads to decrease in trade volume from China to USA
- Immediate impact of tariff only on direct trade between China and USA

As-is trading volume: example: esters of acrylic acid and monocarboxylic acids

¹ 2016 Trading volumes based on reported import numbers of tariff number HS291612 of top 5 importers (China, EU, Japan, Korea and USA) (Acids; unsaturated acyclic monocarboxylic acids; esters of acrylic acid); <https://comtrade.un.org/>

FIRST-ORDER EFFECT: ALTERNATIVE SUPPLIERS STEP IN

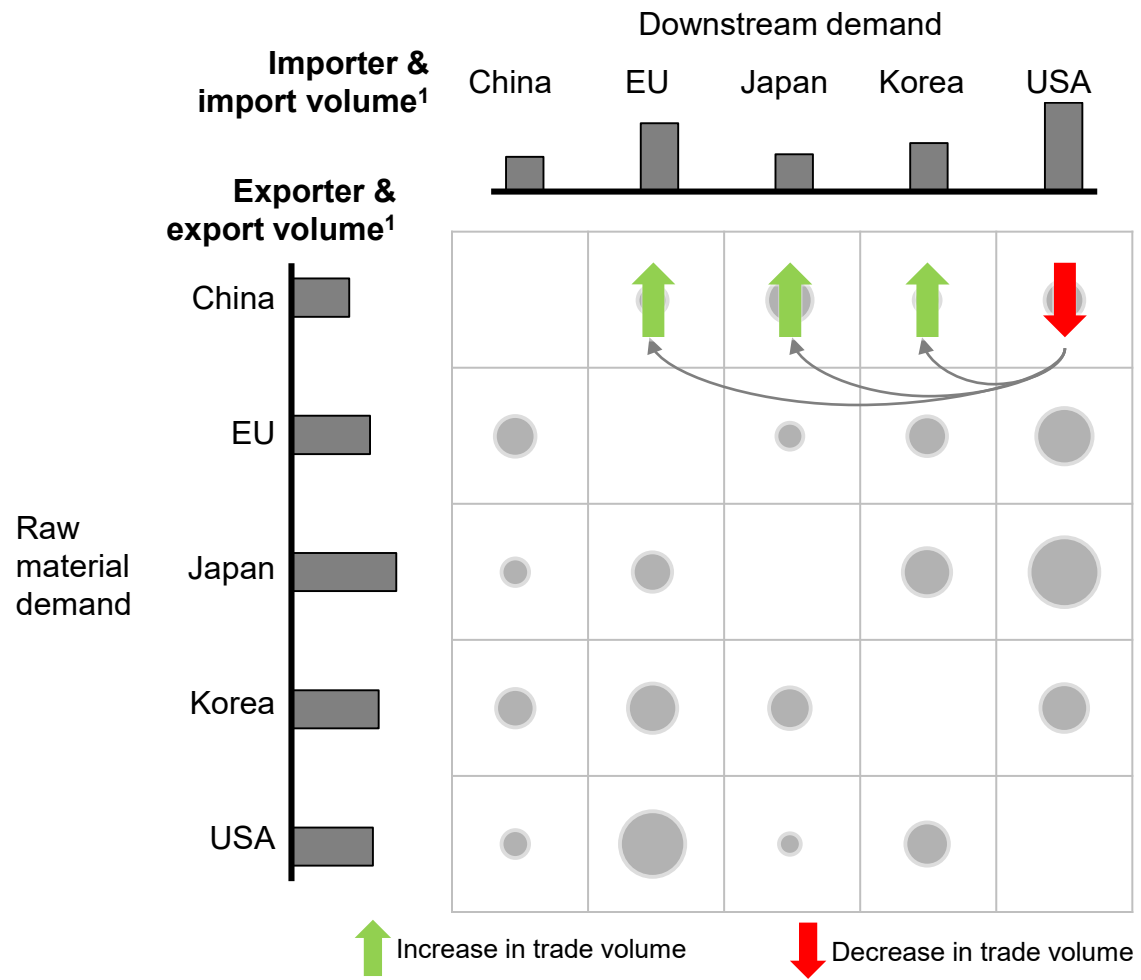


As-is trading volume: example: esters of acrylic acid and monocarboxylic acids

Comment

- USA seek alternative supply routes to fulfill demand for tariffed products
- Increased trade volumes with USA for countries not impacted by imposed tariffs
- Short-term demand rise may result in increased prices for product on global market

SECOND ORDER EFFECT: SPILLOVER OF TARIFFED VOLUMES INTO MARKETS WITHOUT TARIFF



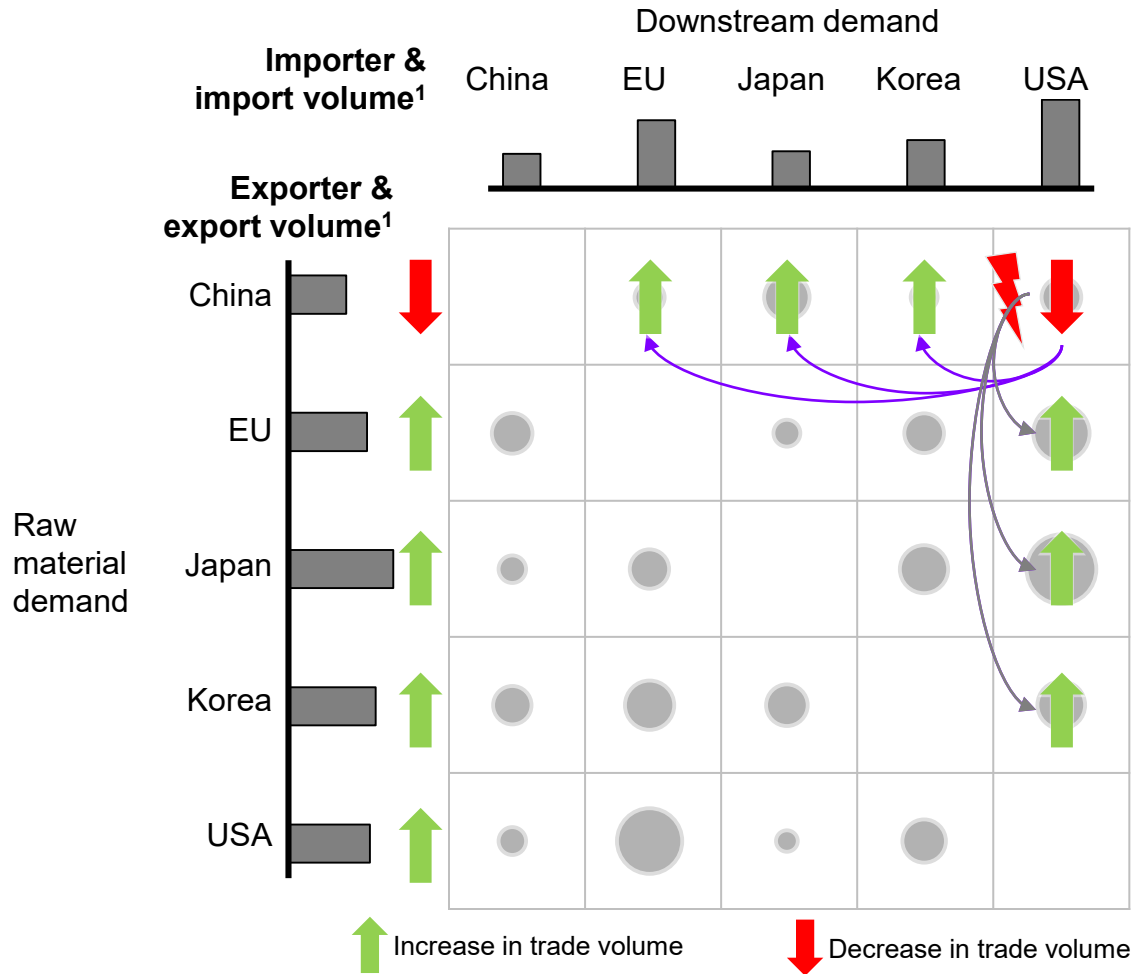
Comment

- Spillover of Chinese exports to market not impacted by tariffs
- Trade volumes with alternative partners increase by quantity reduced by tariff
- Spillover sales likely impact pricing of products on global market

As-is trading volume: example: esters of acrylic acid and monocarboxylic acids

¹ 2016 Trading volumes based on reported import numbers of tariff number HS291612 of top 5 importers (China, EU, Japan, Korea and USA) (Acids; unsaturated acyclic monocarboxylic acids; esters of acrylic acid); <https://comtrade.un.org/>

IMPACT ON RAW MATERIAL DEMAND



Comment

- Increased exported volumes induces higher demand for raw materials
- Raw material demand for USA (impacted directly by tariff) increases for self-production
- Demand for raw material in China decreases due to decreased exports to USA