

# 19<sup>th</sup> CPC NATIONAL CONGRESS | Business perspective

## Chemistry key for innovative solutions

Drive for sustainable development provides opportunities for firms that create new materials for cleaner lifestyles

### How has the Chinese economy performed so far this year and what are your projections for 2018?

For the first seven months, GDP has been stable at 6.9 percent, so China's full-year outlook is likely to be higher than expected.

A robust economy continues to drive investment and domestic consumption, while chemical demand in China is expected to continue to outpace other countries.

Businesses can take advantage of the huge base as a driver of regional and global economic growth. In particular, the emphasis on sustainable development in the 13th Five-Year Plan (2016-20) creates enormous opportunities for BASF.

We can provide solutions to reduce energy consumption and increase standards of living to name just a few examples. Sustainability will become a major factor in the future and chemistry is crucial to innovative solutions.

### What factors will boost growth this year and in 2018, and what

### are the challenges facing China's economy?

Current growth proves China has solid fundamentals. This is due to the various initiatives to boost globalization and sustainable development. For example, the emphasis on innovation and smart manufacturing is particularly relevant to the chemical industry.

The number of chemical patents from China now accounts for about 50 percent of them worldwide. Environmental issues are also hot topics among the general public, as well as the policymakers.

Under this backdrop, the biggest challenge in the chemical industry is the lack of trust from the public. To tackle this requires combined efforts from multinational and local companies, and collaboration among all partners along the value chain.

### As a Fortune 500 company, which sectors do you think offer most opportunities for development?

China has witnessed the fastest growth in the world during the past three decades. The Made in China



**Stephan Kothrade**, president functions Asia-Pacific, and president and chairman of BASF Greater China.

2025 strategy outlines ambitious goals for developing 10 industries.

These new sectors represent science and technology. Chemistry is the basis for various innovations, such as new materials for insulation, catalysts to reduce emissions and battery materials for electric cars, to name a few.

### What opportunities will the Belt and Road Initiative to revive the

### Silk Road trading routes create for China and the rest of the world?

This is all about connecting people, resources and ideas. They are the three core elements which create business opportunities for local and multinational companies.

For the chemical industry, in particular, the Belt and Road Initiative has the potential to create a wide variety of indirect opportunities. This is because solutions from the world of chemistry play an important role in enabling faster and more sustainable construction, greater energy efficiency and better infrastructure.

### How do you view China's business environment, and what will be BASF's investment strategy?

We believe the key fundamentals of economic growth, including the chemical industry in China, are intact. The industrial transformation has created continuous demand for chemistry innovation.

We are, therefore, strongly committed to strengthening our local production and innovation here. Chemical

production in China already accounts for a third of global production.

### How can China achieve stable and sustainable economic growth?

We hope the reform efforts of the 13th Five-Year Plan, as well as the awareness of the economic headwinds and the need to upgrade environmental standards, will lead to further opening up of the economy.

This means deregulating areas where foreign businesses are constrained.

The active participation of multinational companies is crucial as China becomes a major player in the global economic arena.

BASF is the largest foreign investor in China's chemical industry. We see the next wave of economic development as being the integration of value chains in clusters.

Such an integrated approach is efficient and effective. It will also create combined benefits for employment and economic development, as well as producing a better quality of life. Sustainable growth will be achieved as a whole across the country.

## Forging the digital Silk Road

China will be at the epicenter of connectivity among Belt and Road economies as trade moves online

### What three words would you use to describe China today?

Innovation. Digital. Consumers. China is looking toward a digital future by encouraging innovation-led development. With national initiatives, such as Digital China, Internet Plus and Made in China 2025, we are witnessing a transformation in the nation and Chinese companies.

Work and life are being reinvented by innovative businesses and digital technologies. This in turn offers opportunities locally and globally.

Demands from next-generation Chinese consumers, or Gen Z, are motivated by unprecedented innovation and digital applications. Now, this has reached an enormous scale. It first appeared in the retail sector and has since spilled over into wider industries, such as manufacturing, travel and technology.

### What opportunities will the Belt and Road Initiative create for China and the rest of the world?

This will once again put China at the epicenter of connectivity among more than 60 economies from Asia to Europe via Southeast Asia, South Asia, Central Asia, West Asia and the Middle East. The timing is also perfect as there is an undeniable trend toward global digital trade.

There are already early leaders such as China's e-payment companies. They have quickly expanded mobile payment offerings to consumers in Southeast Asia, Europe and North America.

Balanced trade should be two-way traffic. Asia's aging population and fast per capita income growth also present great opportunities in finance, education, healthcare, media and entertainment.

A new, digital Silk Road will also pave the way for unprecedented trade volume in cross-border e-commerce. Small and medium-sized enterprises will be able to further engage in the global supply chain and reach out to international markets.



**Chuan Neo Chong**, chairwoman of Accenture Greater China.

### Could China's experiences be used to solve global problems?

One of the most notable examples has been the ability to unleash potential in consumption. The ongoing supply-side restructuring in China, tax cuts and overcapacity reduction have boosted demand.

Consumption is expected to rise as households have more money to spend. Likewise, businesses will

invest in innovation with increased financial power.

Our study reported that the market for tech-savvy, media-connected, next-generation consumers will be worth \$6 trillion in Asia alone. Of course, digital is empowering customers with more choices.

Communication with consumers on every level will provide highly personalized products and services.

### Which sectors do you think offer the most opportunities for development?

We believe digital sectors will take off in the near future. Our research found that by harnessing the power of digitalization, China stands to grow its GDP by an extra 3.75 percent by 2020. That is the equivalent of adding \$527 billion to the economy.

As far as digital output, the country's automotive, industrial equipment, infrastructure and transportation industries will lead the way in growth. Natural resources and consumer goods will be close behind.

But the financial industry's digital output will represent approximately one-third of the sector's total in 2020.

In this fast-evolving ecosystem, organizations must learn how to utilize digital skills, technologies and accelerators to enhance their business performance.

### What are the most innovative trends and products in China?

One of the most obvious trends is that many Chinese businesses are emerging as platform players (or foundation firms which roll out other companies). They are opening up new paths to strategic growth. Platform players and organizations can tap into resources and capacity that they do not have on their own.

The shift toward ecosystem-fueled value creation has crossed sectors in areas such as finance, transportation and manufacturing. The competitive landscape could easily be turned on its head. Platform players are not only pursuing growth, they are redefining it.