A rolling stone gathers no moss

Dr. Martin Brudermüller, elaborates on the growing demand for plastics in Asia, on the effects of the economic crisis and on Asia’s speed.

Mr. Brudermüller, what is the advantage of being a BASF customer in these difficult economic times?

Our customers can rely on us, in good times as well as in bad times. We are not easily rattled and our customers really appreciate this, especially in the midst of a crisis. They can count on us to always come up with top-notch innovations and high quality. We structure our customer relationships as long-term partnerships and so it is a given that we will stand by our customers, precisely during these difficult times. This is why one thing is certain: yes, we will try to save wherever possible, but not when it comes to customer visits – on the contrary.

BASF intends to come out of this crisis even stronger. Where do you see opportunities for BASF’s plastics business in this situation?

Many of our customers are utilizing the crisis to reposition themselves. With our know-how and ideas, we can give our customers a helping hand by offering them solutions to ease their realignment in the market. In Asia, we have formed special sector and customer teams that combine our broad competence so as to respond even better to customers’ needs. Take, for instance, the automotive industry: the economic crisis has triggered a re-thinking towards smaller and more environmentally friendly cars. Plastics play a crucial role in this context. Be it weight reduction, new shapes or improved production processes, we have the means to devise new concepts in a joint effort with our customers.

BASF is planning to sell its styrene plastics (styrenics) business. Are plastics losing their significance in BASF’s product portfolio?

Not at all, plastics are becoming more and more important. Modern climate protection, to mention just one example, is inconceivable without plastics. This is why we are turning to innovations and shifting our focus. We intend to concentrate even more strongly on our specialty plastics since this is where we can fully implement our technical competence. On the other hand, we will be withdrawing from some of the businesses involving commodity plastics. The very volatile styrenics business has a much greater potential outside of BASF. Our goal is to find the best future for this business and, at the same time, to attain optimal value for BASF.

BASF is steering its plastics business in the direction of specialties while, at the same time, there is a threat that some applications will switch over to less expensive standard plastics such as polypropylene. Is BASF on the right track here?

We are actively promoting this switch. Commodity businesses that are lost in one place are replaced in another place thanks to innovations. High-quality plastics, for example, are displacing metal or are opening up totally new areas of application. This is the special strength of BASF. Those who come up with new ideas can expand their market share. This is the path we follow.

BASF and its plastics aim to take part in the car boom sweeping through India and China. Isn’t it an uncomfortable notion that millions and millions of new cars will impact the climate in the future?

There is an enormous desire for mobility, particularly in the emerging countries of Asia, where the question then arises, “Why shouldn’t we here be able to drive cars like everyone in the West?” This is why it is a great challenge to make mobility fit for the future. We will only be able to maintain mobility worldwide if we develop new concepts. The central factors here are new power concepts such as electric cars. And these will only work if the vehicles weigh less. This is where plastics come in!

The countries of the European Union (EU) must comply with minimum standards for the energy efficiency of buildings – a lucky break for BASF insulating...
materials such as Neopor®, Styrodur® or even polyurethane foams. What are the prospects for BASF insulating materials in the Asian construction sector?

Asia’s awareness of environmental issues is growing steadily and the issue of quality of life is starting to take center stage. Everybody wants to breathe clean air and live in properly insulated homes so that it is nice and warm in the winter and pleasantly cool in the summer. Insulating these houses is the crux of the matter. With relatively little effort, a lot of energy can be saved, sharply reducing CO2 emissions as well as air pollution caused by residential heating. We are already implementing this, for example, with low-energy houses in Shanghai, China and in Yongin, South Korea, where we can clearly demonstrate the tremendous positive effects that can be achieved by insulating houses with Neopor, Styropor or polyurethanes. Chinese authorities are already drawing up legislation to require certain insulation standards.

Plastics already make up 28 percent of BASF’s sales in Asia, while this figure is only 16 percent globally. Why is the share in Asia so high?

Partly because many of the products made of plastic for consumption in the West are manufactured in Asia. At the same time, the pent-up demand of Asian populations for consumer goods is on the rise as far as cars, electrical appliances, etc. are concerned. This benefits the plastics business in the region.

How much of the plastics sold in Asia will come from local production?

Throughout all of BASF’s businesses, we are striving to have 70 percent of our sales in the region come from local production. With this in mind, we are investing heavily, especially in the realm of plastics. For instance, we are planning an MDI plant in Chongqing, China, with which we can meet the growing demand for plastics in Asia.

What is the situation regarding the local/regional development of the applications?

This is one of the key factors for attaining market success in this region. We place a great deal of stock on developments from Asia for Asia and we plan to strengthen our position in this realm. This is why we are increasing the number of staff in research and development in Asia from 300 to more than 650. Local development teams are already working in close cooperation with our Asian customers – be it in polyurethane system companies or in applications technology centers for engineering plastics.

Is BASF promoting its Asian customers to the detriment of its European customers?

Not at all. Business in Asia is growing more rapidly than Europe but not at the expense of Europe. This situation has more to do with the growth of the middle class in China and India and their rising demand for consumer goods. Europe and North America benefit from this trend since the increased demand in Asia also creates new business opportunities for our customers in those regions.

When Europeans mention competition from Asia, the talk soon turns to the lower wages that make the price of products from the Far East so attractive. Is this only a prejudice?

Cheaper labor is only important if the manufacturing share of the products is high such as is the case in the household appliance sector or in the textile industry. The success of many products from the Far East, however, is not only due to the lower prices, but also to their creativity and innovation. I find the best example of this to be the Tata Nano, a totally new automobile concept that is going to drastically change the industry. Or take for instance Muji from Japan, which more and more is becoming an international known brand, known for its innovative design products.

What can European companies, including BASF, learn from Asian companies?

Speed, hard work and having confidence in one’s own strengths without becoming arrogant. But first and foremost, the conviction that permanent change always entails new opportunities. The saying that “a rolling stone gathers no moss” applies here more than anywhere else in the world.