Association of International Chemical Manufacturers
国际化学品制造商协会

The Future of Chemical Multinational Corporations in China

A report on the AICM 2015 CEO Summit

In collaboration with Accenture

Contents

About AICM

The Association of International Chemical Manufacturers (AICM) was founded in 1988 and represents nearly 70 major multinational companies in the chemical industry of China. Its members' businesses cover the manufacture, sales, transportation, distribution and disposal of chemicals. Five AICM members are ranked as World Top 10 Enterprises and 28 members are among the World Top 50 Chemical Enterprises. In addition, 31 members have signed the Responsible Care Global Charter initiated by the International Council of Chemical Associations (ICCA).

Over the years, AICM and its members have developed a shared vision: to contribute to the development of a harmonious society and the sustainable growth of China's chemical industry. As the representation of the leading international chemical players in China, AICM commits to:

- Promoting Responsible Care and other globally recognized chemical management principles among all stakeholders;
- Advocating cost-effective, science- and risk-based policies to policy makers;
- Building up the contributive role of the chemical industry to the economy.

To promote Responsible Care and support its implementation in China, AICM organizes multiple workshops and symposiums every year with member companies, chemical parks and government agencies. AICM also conducts training in chemical parks and sets up Responsible Care local sub-committee working platforms to enhance local Responsible Care capabilities.

To advocate science-based chemical industry policy and risk-based regulation in China, every year AICM organizes dozens of regulatory compliance workshops and training sessions, round-table meetings, and high-level dialogues and exchanges with relevant stakeholders. AICM also works closely with policy makers and global and domestic associations to deliver position papers that address industrial interests and concerns.

Each year AICM has taken a leadership role in the Open to Public Day Event, working with more than 40 members at major industry parks across China to actively build the positive impact and image of the chemical industry, which has been warmly welcomed by local communities.

Executive Summary

In 2015, AICM launched a key initiative aimed at exploring trends affecting the industry in China. This effort—"The Future of Chemical Multinational Corporations in China"—culminated in a CEO Summit on the topic, held in Shanghai in November 2015.

The initiative was designed to give AICM members a unique opportunity to express and share their views on the changing business environment in China. To that end, AICM engaged Accenture to conduct a survey and several discussions with CEOs representing multinational chemical companies that are members of AICM (see "About the Research" at end of this report). Through this work, Accenture identified several key issues that were top of mind for these executives:

- Sustainability and Responsible Care
- Innovation and R&D
- China's economy and the "new state"
- Mergers, acquisitions and joint ventures
- Cost escalation
- Human resources

These findings were presented at the CEO Summit, where 44 attendees heard from Dr. Alasdair Jelfs, Chairman of AICM; David Yankovitz, Managing Director of Accenture's Global Chemicals practice; and Jerry Palmer, Managing Director of Accenture's APAC Chemicals practice. Following the presentation of the results, the CEOs participated in breakout sessions that focused on the three primary topics that emerged from the survey. These discussions focused not only on evolving challenges in these areas, but also on providing input to guide the strategic agenda of AICM and its members. These discussions explored:

Sustainability and Responsible Care

Executives noted that AICM should work with the China Petroleum and Chemical Industry Federation (CPCIF) to drive the Chinese government to define and amend regulations and pursue a green agenda. The association should also educate local chemical companies on the benefits of sustainability, encourage them to take a more self-disciplined approach to it, and help provincial governments implement localized best practices. In addition, it should adopt initiatives that expand AICM membership to increase its influence.

Innovation and R&D

With the need to transition to more value-added products, AICM and the industry should encourage the Chinese government to set up a centralized/national intellectual property (IP) court with consistent and transparent procedures. AICM should collaborate with members to share best practices for IP protection and best practices for attracting and retaining R&D talent. Further, the industry should encourage joint innovation with customers. AICM should strive to be a collective voice for multinational companies while addressing the government.

China's economy and the "new state"

To counter slow economic growth in China, AICM should encourage the government to create a level playing field through diversified ownership, promoting free markets and fewer subsidies; influence local companies to improve standards in areas such as sustainability and Responsible Care; and provide members with more credible industry and policy insights that will help them convince their headquarters for further investments in China. Multinational companies should also play a part by helping local partners and suppliers raise the bar on health, safety and environment (HSE) activities; work more closely with headquarters on China plans and strategy; and, of course, optimize costs.

Overall, the CEOs see a challenging environment in China, especially in the short term. But they are optimistic, as well. Looking farther ahead, they see tremendous opportunity in the world's largest market. With that in mind, they are formulating plans to continue the healthy development of the chemical industry in China.

The Industry in China: The CEO Perspective

Over much of the last decade, the Chinese economy grew rapidly—and that led to the Chinese chemical industry enjoying something of a dream run. From 2004 to 2013, the industry saw a compound annual growth rate of nearly 23 percent.[1] Not surprisingly, we also witnessed a foreign direct investment worth US$82.9 billion in chemicals over the last decade.[2]

But times have changed. China's GDP growth has moderated, and the chemical industry is now expected to grow at a much more settled pace. China's chemical output is expected to grow at 6.7 percent in 2016, compared with 8.9 percent in 2014.[3]

As the Chinese chemical industry prepares to face the Chinese economy's "new state," there are many issues to confront, from overcapacity to intellectual property protection, talent management and rising costs—to name a few.

In its survey and discussions with multinational CEOs, Accenture identified six key issues that are on the minds of industry executives in China:

- Sustainability and Responsible Care
- Innovation and R&D
- China's economy and the "new state"
- Mergers, acquisitions and joint ventures
- Cost escalation
- Human resources

The results of this research are explored in the pages that follow.

Sustainability and Responsible Care

China's growth and the issue of sustainability are closely intertwined. The country's GDP growth has averaged about 9.6 percent[4] over the past two decades, and China has become the world's second largest economy.

However, this rapid growth has led to serious challenges related to sustainability and Responsible Care. Nearly all the surveyed CEOs—95 percent—agreed that sustainability is becoming more important than ever in Chinese markets.

Energy is a key issue in China. With rapid industrial growth, the country's energy usage over the last few decades has increased disproportionately, compared to overall economic growth. Today, China accounts for 23 percent of global energy consumption,[5] but just 13 percent of global GDP.[6] This imbalance, which shows relatively large inputs being used to create goods and services, has been one of the key contributing factors to the rising pollution in China.

Safety and health is also a high-profile issue for CEOs in China. Last year's dramatic chemical storage explosions in Tianjin, which killed 165 people and caused over US$1 billion in direct economic losses,[7] were certainly a wakeup call for many. But more broadly, China has a very high rate of workplace fatalities—with the country witnessing nearly 68,000 on-the-job fatalities in 2014.[8]

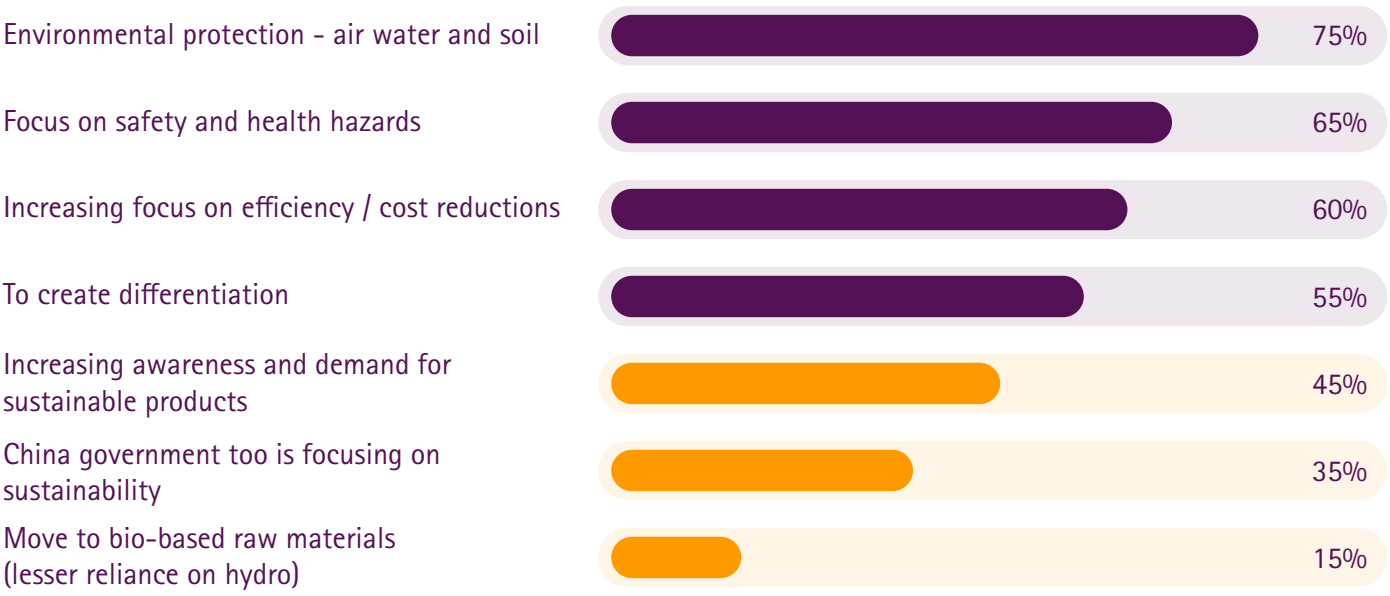
Against that background, the survey asked executives why sustainability was becoming more important. Here, 75 percent cited the growing need to protect the environment, while 65 percent said that a focus on sustainability and Responsible Care will help reduce safety and health hazards. In addition, 35 percent cited the Chinese government's growing interest in sustainability as a driver. As one survey respondent summed up, "Increasing regulation, poor air quality, and a high number of process incidents all emphasize the important of sustainability."

Many executives also cited the positive impact that sustainability efforts can have on competitiveness. For example, 60 percent said that a focus on sustainability and Responsible Care would help reduce costs in the long term, while also helping to increase efficiency. And 55 percent said that a focus on sustainability is in line with changing consumer expectations, and will help companies differentiate themselves from the competition.

At the same time, respondents clearly felt that there are some significant challenges for sustainability programs in China. Although 35 percent of the CEOs cited an increased government focus on sustainability, as noted above, a full 95 percent said that government regulations are not being effectively enforced. That, the CEOs made clear, is the biggest obstacle to sustainability and Responsible Care initiatives.

There are numerous examples bolstering that perspective. In 2010, China's Ministry of Environmental Protection observed that half of China's oil processing, coking, chemical and pharmaceutical plants were located less than a mile from schools and residential areas, in clear violation of regulations. Similarly, in Tianjin, chemical storage warehouses were located about half a mile from an apartment complex and a rail station. That proximity made

Figure 1. Why is sustainability and Responsible Care becoming more important?



Source: AICM/Accenture 2015 CEO survey

the explosions more devastating—and highlighted the need for enforcement of regulation by the authorities.[9]

To a great extent, products made in China compete on cost, and when cost pressures are too high, it can lead some companies to compromise on safety and environmental measures. It has been highlighted that inadequate chemical storage facilities, labeling, training and emergency procedures are top risks in China.

Nevertheless, the CEOs in the survey tended to look beyond cost pressures and have a positive outlook on improved enforcement—perhaps because they see it as critical. "Government is the key for success, given the reality in China," said one executive. The CEOs appear to see better enforcement as not only a key to reduced risk, but also as a way to ensure a level playing field, where competitors are less likely to cut corners. Thus, 80 percent of respondents said that they see enforcement of sustainability and Responsible Care as more of a strategic investment, rather than a cost burden.

Innovation and R&D

In the survey, a large percentage of respondents—85 percent—said that innovation and R&D are increasingly becoming important in Chinese markets.

Why? With current industry dynamics and trends, CEOs see innovation as a source of competitiveness and differentiation. Seventy seven percent of respondents said that innovation and R&D are key to future growth in China. That's not surprising because considerable production overcapacity means that there is fierce competition for market share among Chinese players. At the same time, low-cost production is no longer the advantage it once was because increasing costs for labor, regulatory compliance, energy, logistics, taxes and various fees are prime concerns for CEOs—and they drive the need for innovation-driven differentiation.

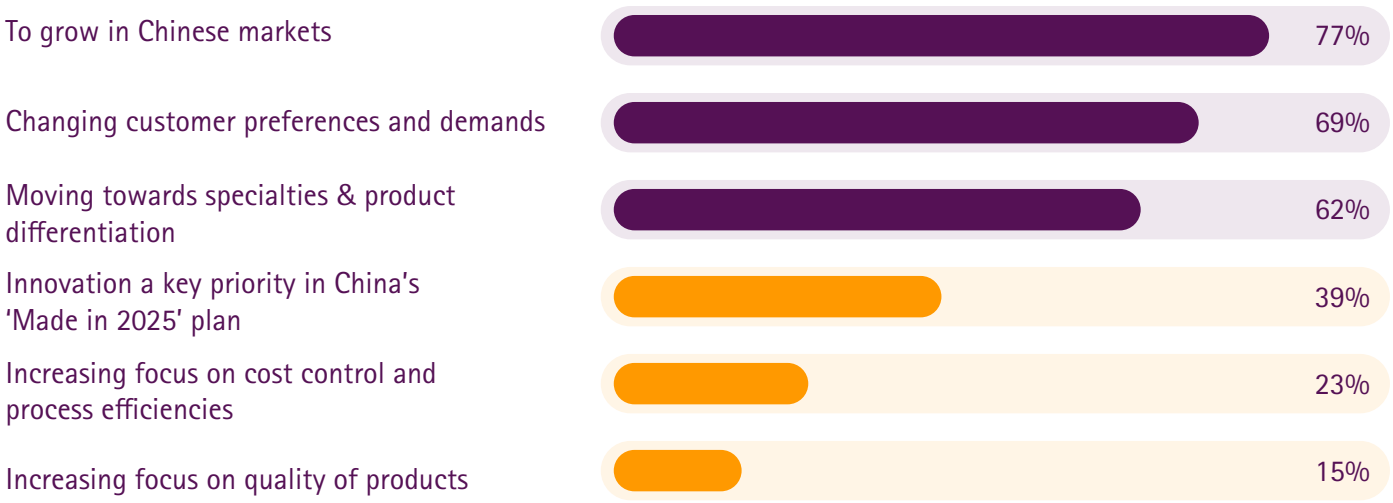
Meanwhile, 62 percent of respondents said that innovation is key because of the need to move towards specialties and product differentiation. And many executives see innovation as key to keeping pace with evolving consumer preferences for advanced, customized and sustainable products—a factor cited by 69 percent of respondents.

In China, the role of the government is always a significant factor. Chinese officials are now trying to encourage innovation and technological evolution under the government's ambitious "Made in China 2025" initiative. As part of this plan, China is proposing the establishment of 15 manufacturing innovation centers by 2020, growing to 40 by 2025.[10] However, it remains to be seen how and when these proposals will be executed. Thus, many executives are keeping an eye on it, with 39 percent saying it is a driver of innovation's importance in Chinese markets.

As clear as executives are about the importance of innovation, they are also clear about the challenges involved, citing several barriers to innovation in China.

Talent shortages top the list (85 percent), followed by a lack of investment in long-term innovation on the part of Chinese companies (69 percent).

Figure 2. Why is innovation becoming more important in Chinese markets?



Source: AICM/Accenture 2015 CEO survey

A lack of R&D culture at companies and problems with enforcement of IP protection laws were each cited by about two thirds of respondents. Although adequate regulations for IP protection are in place, executives see enforcement as an ongoing issue. "How to get [our] HQ support heavily relies on how to convince HQ that IP is improving," noted one. "But in China, the policy and regulation of IP have been upgraded to the international norm, while the execution needs further improvement."

It is generally recognized that because of such problems, most chemical companies do not engage in core R&D in China. This held true among the companies represented in the survey, with 97 percent of respondents saying that they limit their R&D to incremental innovations, applications R&D and technical services and support.

That is not to say that these CEOs are giving up on innovation. Executives see tremendous opportunity and feel that the benefits can outweigh the risks. Thus, a majority of the companies in the survey are trying to increase their R&D footprint in China—and to find the right balance between technology introduction and IP protection.

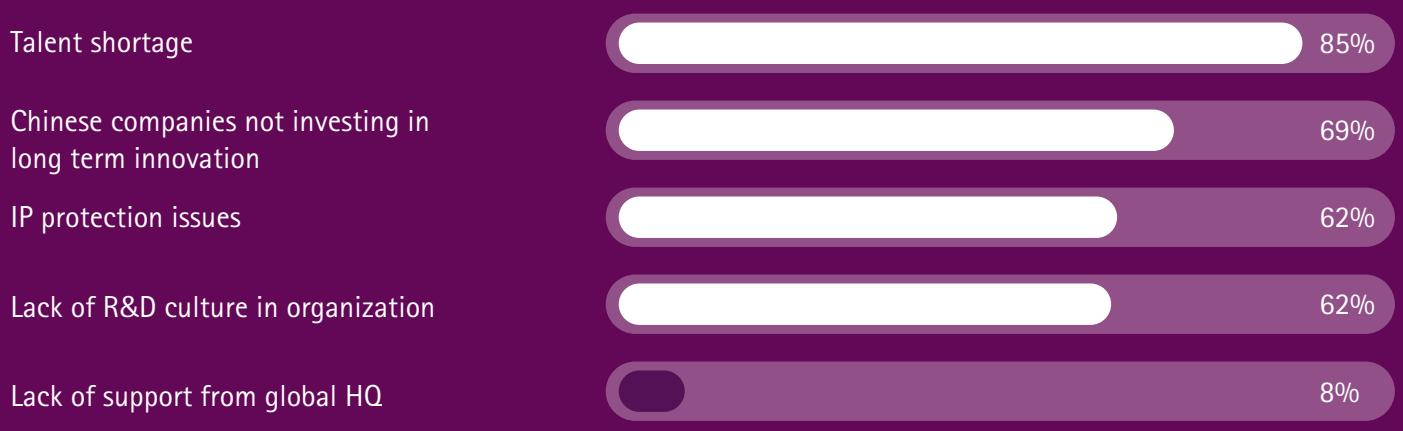
Given the challenges, CEOs cited better enforcement of IP protections; people development and training for the local workforce; and partnering with local universities and institutions as the top actions needed to drive innovation in China.

China's economy and the "new state"

As discussed earlier, the Chinese economy has entered a new "moderating" phase, with tempered GDP growth, continuing structural change, and challenges related to overcapacity and sustainability. As a result, the economy grew at a rate of 6.9 percent in 2015,[11] compared to 7.3 percent in 2014,[12] the slowest pace since 1990.

This "new state" of the economy is having an impact on the chemical industry. Surveyed CEOs highlighted several reasons for the slowdown in the country's economy—starting with overcapacity, which was cited by 82% of respondents. Overcapacity is now seen in many sectors. Even in chemicals, many product segments, such as methanol, caustic soda, polyvinyl chloride, soda ash, calcium carbide, chlor-alkali, and nitrogen fertilizers are suffering from overcapacity.[13]

Figure 3. What are the top challenges in pursuing innovation and R&D in China?



Source: AICM/Accenture 2015 CEO survey

Figure 4. What do you think are the major causes for the slow down in the Chinese economy?

Source: AICM/Accenture 2015 CEO survey

Executives also pointed to the rising cost of labor, logistics, raw material and energy as a crucial factor affecting the competitiveness of the industry in China—especially exports, where Chinese companies no longer enjoy a cost advantage over other low-cost locations. And, a majority expect the country's economic volatility to continue over the next three to five years.

Nevertheless, CEOs see the country as a growth engine for their businesses, and 82 percent are still bullish about China. A number of them noted that it is important to look at the big picture. "It [growth] is slower than before, but still relatively high compared to other economies," noted one executive. At the same time, the sheer size of China's markets continues to be attractive.

Respondents had mixed views of the government's efforts in the face of economic change. One executive noted, "Even the Chinese government cannot do magic. In that context I believe it is doing rather well." More than half said that the government is working to address issues related to the slowdown, but that there is still much more to be done. "If you see how the Chinese authorities are managing overcapacity in general, I'm not convinced the problems are being faced and managed properly," said one executive.

The survey participants also shared some ideas on what must be done to adapt to the new environment. These include many approaches that link to the other concerns discussed in this paper, such as increased innovation, cost control and consolidation.

Figure 5. What are the top actions that should help the chemical industry sustain/grow in the 'new state' of the Chinese economy?

Source: AICM/Accenture 2015 CEO survey

Mergers, acquisitions and joint ventures

Mergers, acquisitions and joint ventures are clearly on the minds of executives as they look for ways to thrive in China in the coming years. Indeed, 69 percent of the CEOs said that they plan to actively undertake strategic deals. The same percentage said that the pursuit of M&A in China was integral to their company's global M&A strategy, underscoring the continuing importance of Chinese markets in the industry.

Much of this interest in consolidation is clearly being driven by overcapacity in China, with a large majority (85%) saying that in this environment, M&A simply makes more sense than building new plants. Other top priorities for M&A deals included pursuing growth by gaining market share, gaining better access to distribution, and reaching more customers.

Executives appear to prefer M&A activities that lead to total control, as opposed to joint ventures, primarily because of trust and IP protection issues. Also, most of the executives said that they prefer to acquire the assets of Chinese private companies where they can find a combination of value and easy accessibility.

The executives recognize that M&A opportunities in China come with their fair share of challenges. Seventy one percent said that the integration of acquired companies would be a challenge in China, largely because of the human resources and cultural issues involved. The same percentage pointed to concerns about the quality of the operations of Chinese players that might be acquisition targets. And nearly the same number said they were concerned about the high valuations attached to Chinese companies that were the most attractive targets.

Cost escalation

All the polled CEOs—that is, 100 percent—highlighted cost escalation as a major issue for China's chemical industry. Increasing costs for labor, energy, logistics and handling new regulations emerged as major concerns.

Rising costs are one of the main factors hindering the competitiveness of the Chinese chemical industry, executives said. Those costs are adversely affecting companies' sales in export markets, which in turn is contributing to slowing economic growth in China. These CEO responses are in line with survey demographic data, which indicates that most of the respondents are now focusing on domestic markets over exports.

The majority of the CEOs also agreed that productivity has not increased in proportion to labor costs. That view is reflected in the fact that the "gap between salaries and productivity" was cited as a top human resources challenge in China (see "Human Resources" section on page 11).

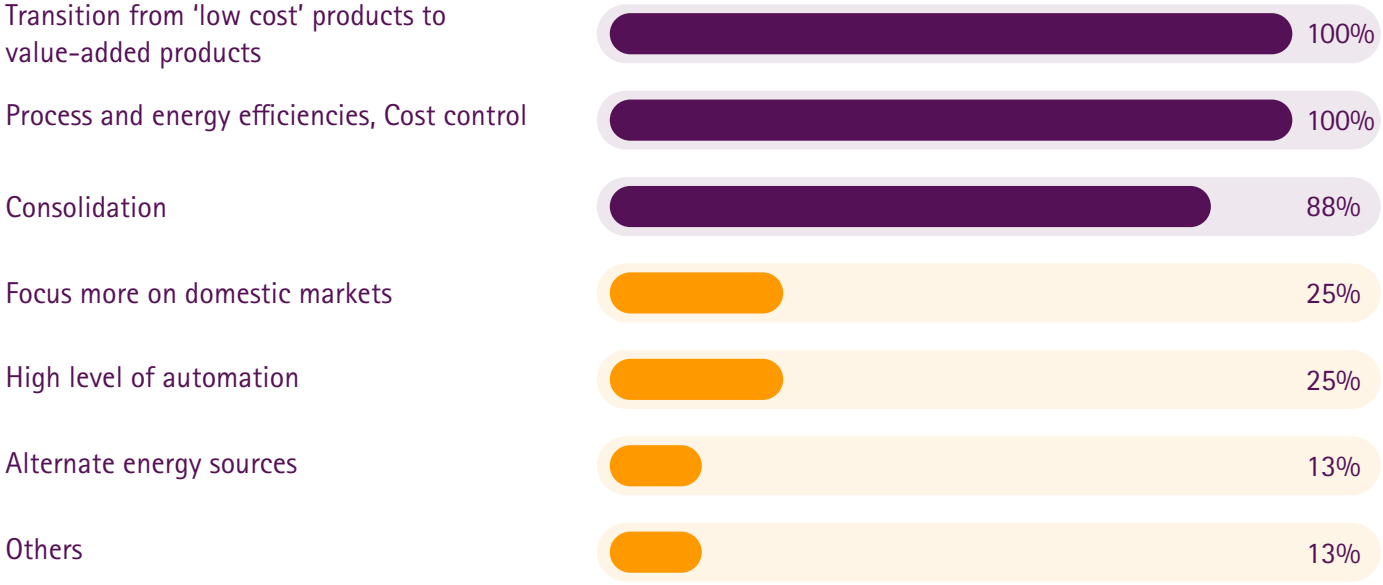
Two thirds of the CEOs said that their companies' costs are higher than those of their Chinese competitors. However, 50 percent think that their plants in China are still competitive, particularly when they serve domestic markets.

As one might expect, executives are working to cope with the fundamental changes taking place in the cost arena. A full 100 percent of respondents said that their strategies include transitioning from low-cost products to value-added products. The same percentage said that they are focusing on process and energy efficiencies to offset rising costs. And 88 percent said that they are looking seriously at consolidation. Here again, these solutions are linked to key topics discussed earlier in this paper, including innovation, sustainability, and mergers and acquisitions.

Figure 6. What are the top challenges/issues you foresee while pursuing M&A/JVs in China?

Source: AICM/Accenture 2015 CEO survey

Figure 7. What strategies should be used to address cost escalations?



Source: AICM/Accenture 2015 CEO survey

Human resources

Talent management is a global issue for the chemical industry, and China is no exception. The CEOs said that the top human resources (HR) challenges facing the industry in China are skill gaps, a gap between salaries and productivity, lower maturity and professionalism standards, and a shortage of people with experience across various roles. HR issues generally tend to contribute to other business challenges, and here, talent-related problems are factors in issues such as rising costs, M&A integration difficulties, and challenges to innovation.

The CEOs said that hiring for senior levels in China is particularly challenging, noting a scarcity of professionals who have a combination of required skills and experience in diverse roles. Hiring for lower-level positions, such as labor or technicians, is considerably easier.

Recognizing the importance of HR in China, the companies are following a variety of strategies to address their HR challenges. For example, about six out of 10 are considering rotating Chinese employees through more global roles. The same number expect to foster greater collaboration between their groups in China and those in other Asia-Pacific nations.

At the same time, a majority of CEOs see potential in China's pool of managers. The perceived strengths of this group include local people management; local market knowledge; flexibility; solution-oriented views; energy and willingness to learn; agility; and being motivated. With that in mind, 67 percent said that they plan to hire more local talent, and the same percentage said that they are looking to empower more local decision making.

Figure 8. What strategies should be used to address HR challenges?

Source: AICM/Accenture 2015 CEO survey

CEO Breakout Sessions: Developing Deeper Insights

At the November 2015 AICM CEO Summit, executives discussed the survey results and then participated in breakout sessions to explore three key topics in more depth—sustainability and Responsible Care; innovation and R&D; and China's economy and the "new state." These discussions provided insights and action items that are helping AICM and its members chart their strategic direction.

Sustainability and Responsible Care

In this area, CEOs expressed a desire for the Chinese government to formulate and implement effective regulations. But they also highlighted some of the barriers involved in doing so, such as conflicts of interest between different stakeholders; a lack of knowledge or competence among local companies; resistance to regulatory change because of the initial investments required; and the fact that China is still a partially controlled market.

In particular, executives pointed to the fragmented nature of the industry in China, where there are more than 25,000 chemical companies.[14] This makes it difficult for the Chinese government to manage and control the implementation of regulations on its own. The industry, the CEOs concluded, needs to be self-disciplined on this front, and industry associations need to help the government with regulation. Thus, they said, AICM should work with CPCIF or on its own to:

- Influence government and help shape regulations (new and amendments).
- Educate the government that there is no "one size fits all" solution, as multinational and local companies are at different levels of evolution and operational advancements.
- Influence the government to promote energy saving/green products, building the case by highlighting the benefits.
- Collaborate with government and other industry groups to improve implementation of regulations through training, education, promotion, and the sharing of best practices.
- Encourage the government to clearly define penalties for non-compliance and rewards for compliance.
- Influence the government to focus on corporate responsibility, rather than individual responsibility, in dealing with non-compliance.
- Work with the government to provide rewards and recognition for companies that establish sustainability benchmarks.
- Dedicate more resources to educating companies on sustainability and Responsible Care. To achieve this, AICM should set up task forces driven by third parties or internal members.
- Educate local players on sustainability benefits and change of mindset.
- Influence local chemical companies to become more professional and self-disciplined.
- Enhance AICM membership by involving more companies, which will result in greater influence.
- Help provincial governments implement localized best practices.

Innovation and R&D

The discussions once again highlighted the growing importance of innovation in Chinese markets, and re-iterated the survey's findings on the barriers to innovation. The CEOs cited challenges such as a lack of a common mindset toward IP protection; the fact that local partners may not share common practices and guidelines; and a lack of enforcement of IP protections.

In another vein, the discussions brought up the difficulties involved in developing R&D talent because of high attrition rates. Such turnover in R&D also complicates efforts to protect IP. In addition, the CEOs pointed out that local companies tend to drive down price and quality in today's competitive environment, which makes it difficult to develop a market for innovative, high-quality products.

The executives also noted that the process for handling IP disputes is very complex, and that it can be difficult to collect evidence when there is an IP dispute with a local company. Often, that is further complicated by local protectionism in some Chinese provinces.

To address these challenges, the CEOs recommended a wide variety of initiatives for AICM:

- Work with the Chinese government to set up a centralized/national IP court with consistent and transparent guidelines and procedures; even a virtual court could serve the purpose.
- Encourage AICM members to share best practices and effective processes for IP protection and R&D talent retention.
- Use educational programs to attract young people to the chemical industry. Possibilities include: Company open-day programs to highlight the value of chemicals in day-to-day life; cooperation with universities to set up specific education programs that include early selection and recruitment processes; the use of social media and other channels to promote the overall image of the industry.
- Become a single voice of advocacy—discuss common issues faced by multinational chemical companies in China with the government; highlight how companies bring value to local customers, society and the community.

The CEOs also came up with action items for their companies and the industry: Share innovation success stories to convince corporate decision makers to invest in R&D in China; build a case for developing local IP vs. corporate IP; and establish innovation partnerships in China, including joint efforts with customers.

China's economy and the "new state"

As CEOs explored the topic of moderating economic growth, much of the discussion centered on a key question: How bad is it?

China's per capita GDP stood at US$7,590 in 2014,[15] crossing a critical point where double-digit growth will be difficult to sustain in the future. However, CEOs agreed that while the new realities of the Chinese economy are challenging, they are not insurmountable. For example, the moderation of growth is being driven in part by the slowing pace of government investments, which is intentional and is likely to be positive in the longer term.

In the chemical industry, the impact of the slowdown is mixed. Specialty chemicals are doing very well, with 20 percent growth for some players. However, commodity businesses are encountering challenges, as prices are at an all-time low for some products. The CEOs also noted that, even if growth settled to a low of five percent in the next few years, it would still be higher than developed markets and many emerging markets. Overall, the CEOs anticipate that the situation will be painful in the short term as the economy and the industry transition to the new state—but they expect the situation to be positive in the middle to long term.

Perhaps the greatest area of concern is overcapacity, where the CEOs see significant risk. They believe that if Chinese manufacturers continue to build capacity in the interest of achieving national self-sufficiency, it will be detrimental for the overall economy.

The CEOs suggested a number of actions that AICM might take to counter slower economic growth:

- Encourage the government to create a level playing field, through diversified ownership, free markets, fewer subsidies, and clear regulation and enforcement of IP protection.
- Develop white papers and points-of-view on the sustainable evolution of the industry, and disseminate viewpoints through AICM's industry policy group.
- Team up with other associations on education and communication.
- Contribute to China's 13th five-year plan (still to be finalized) and engage in development of the 14th five-year plan, as well.
- Influence local companies to improve standards for sustainability, product quality, and innovation through dialogue with other industry associations.
- Help multinational companies educate and influence their head offices on China plans and strategies by providing more credible industry and policy insights, and statistics.

In terms of action items for member companies, the CEOs called for multinational companies to work proactively with local partners and suppliers to raise the bar on health, safety and environment activities; to build cases that convince headquarters' decision makers to consider China-centric investments and innovation initiatives; and to share success stories and credible statistics and insights with fellow members. The executives also agreed that companies need to quickly shift their focus to cost optimization, increased productivity and value-added products if they are to thrive in China's new state.

Conclusion

Chemical industry CEOs in China have deep concerns about everything from overcapacity to rising costs and skills gaps. But they also sound a note of optimism and still have confidence in the value of doing business in the world's largest market.

In the survey and the discussions, executives made it clear that they understand that thriving in the evolving Chinese market will take a concerted effort over several quarters. Multinational companies will need to focus on everything from minimizing costs to balancing innovation and the need for IP protection. Also, with their latest technologies, sustainable development standards, people development programs and global experience, multinationals will play a critical role in the successful evolution of the chemical industry in China.

For its part, AICM will need to continue advocacy and communication, helping government and local chemical companies move forward with improved regulations and a deeper understanding of the value of factors such as sustainability and a level playing field. The group of CEOs represented by AICM is well placed to guide their companies through these turbulent times, with their extensive domestic and international experience spanning over multiple business cycles. At the same time, they are keen to assist in and contribute to the healthy development of China's chemical industry.

In addition, the Chinese government is a critical lynchpin in the evolution of the industry. Officials are well aware of the industry pain points and are consciously working towards making the chemical industry more competitive and sustainable—but there is still a long way to go.

Getting there will require a strong will, abundant resources and highly coordinated efforts between industry and government. For multinational chemical companies, the situation is likely to be painful during the transition—but the strategies discussed in this report will help them move through that period to build long-term success. Though this report captures the viewpoints of leaders across chemical multinationals, it would equally resonate with others even outside the chemical industry to strategically position their firms in this challenging business environment.

About the Research

To support AICM's "Future of Chemical Multinational Corporations in China" initiative, Accenture conducted an online survey of CEOs of multinational chemical companies in China. This was completed by a diverse and experienced set of 33 executives, with Accenture following up in phone discussions with a number of these individuals. More than 60 percent of participants were from specialties companies, and 52 percent were in petrochemicals, polymers and elastomers. In addition, 70 percent of the CEOs had five years or more experience working in the Chinese markets.

Similarly, the survey respondents represented a range of key end-use markets. The operations of 85 percent of respondents spanned manufacturing, sales and R&D in China. Also, for 63 percent of companies, their China headquarters had a larger role for regional support (e.g., APAC/ASEAN). This indicates that despite moderating growth and other challenges, Chinese markets continue to remain critical for multinational companies.

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