

# Asia-Pacific, Latin America poised to grow

By Bruce Meyer

Rubber & Plastics News Staff

The Asia-Pacific and Latin American markets are the two remaining big growth opportunities, but it's important to look at individual countries and not just generalize about the entire regions.

That was the message David Nick, president of DPNA International Inc., had for attendees of the Adhesive and Sealant Council meeting, held April 13-16 in St. Louis.

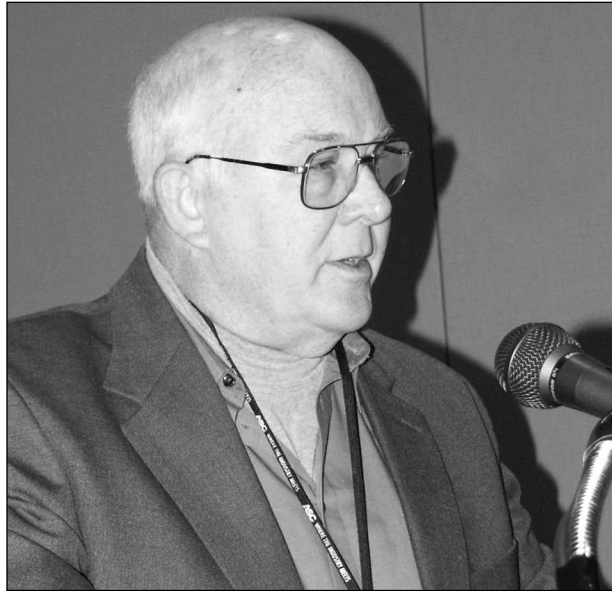
Of the two, the Asia-Pacific region is by far the larger, with a total adhesives and sealants market of 5.18 billion pounds a year, accounting for roughly 26-27 percent of global consumption. Conversely, Latin American countries use 491 million pounds annually, or just 2 percent of the world market.

Within the individual regions, though, many differences exist. In Asia-Pacific, China and Japan account for more than 75 percent of overall usage, with China now the leading consumer for adhesives and sealants, Nick said. The region is highlighted by dissimilar markets, along with a mix of emerging, growing nations vs. those with fully industrialized economies.

"One of the most fascinating things in China is that the entrepreneurial spirit is being released and it's coming to fruition," said Nick, who has spent 25 years of his career working in Asia.

But companies wanting to do business in China still need to beware to some degree. The nation has three distinct economies—the military market, the government-controlled market and the private sector. And the government has showed a willingness to work with foreign investors as long as it's beneficial to China's economic growth. "What that means to the area is there still is some risk to investment," Nick said, noting China operates on continually changing five-year plans. "The government could still nationalize (businesses) if it sees the need."

One area for potential growth for adhesive and sealant makers in China is footwear, he said. In the past, most Chinese wore canvas shoes with rubber soles. But in recent years, leather footwear has grown dramatically, so makers of adhesives for shoe soles



RPN photos by Bruce Meyer

**David Nick, president and founder of DPNA International Inc., gives the market outlook for the Asia-Pacific and Latin American regions during the Adhesive and Sealant Council meeting.**

have benefited.

Japan, on the other hand, is in its fifth year of recession so growth has been hard to come by. "Every year they say it's bottoming out," Nick said. "There's a lot being sorted out with bank failures."

Elsewhere, India has good growth prospects for the industry and is considered a positive place to invest, he said. South Korea was in bad shape in 1997, with companies available to buy for 10 cents on the dollar. But the economic situation there is looking better. And Taiwan has a safety net with investment in mainland China.

Other areas in the Asia-Pacific region look risky, with economies either in a holding pattern or in poor shape. Vietnam showed some promise but the government wants to keep strict control, according to Nick.

"They're not following the 'China Model,' so investment in Vietnam is risky," he said.

E-commerce is important in Asia-Pacific not because companies are using the Internet to buy and sell products. But it is the one place to compare prices for raw materials and finished goods, he said. "You used to price by region, but now firms look at the Internet for price."

The developed countries of the region also are being hit by shrinking profits because of rising energy and raw material costs.

A glut of companies also will lead to consolidation and globalization, which in turn will lead to niche marketing opportunities. "A lot of smaller opportunities go unnoticed," Nick said. "It's a challenge to some of the smaller companies that are hesitant to do business there. It's scary but there are niche markets opening up with higher profit margins."

In Latin America, the one prevalent regional character is that doing business there is similar to the U.S. because of shared post-European cultures of the five major country markets in the area. "The goal of virtually all countries there is to do business with the U.S.," Nick said.

Latin America suffers from limited middle-class growth, with a large poverty sector and a small but powerful upper class.

Packaging exists as a significant growth opportunity for the adhesives and sealant sector because virtually all cut-flowers sold in the U.S. are imported from Latin America and about 75 percent of those shipped require special packaging. Footwear also remains strong in the region against Chinese pricing pressure because the Latins still retain the advantage of a strong leather market. But Nick warned that some firms now are sending shoes to China for initial work and then bringing them back for final fabrication.

Economic uncertainty remains a concern in the region, though most nations are more stable than 10 years ago. "Chile leads the way, becoming more stable and a good opportunity to do business," he said. "Brazil is up and down, and Argentina/Venezuela still has some turmoil. In Columbia, it's a tossup who will win—the government or the drug lords."