



China's tires industry is large and poised for further high growth with an estimated value of nearly US\$6 billion in 2002.

([PRWEB](#)) July 22, 2004 -- Research and Markets announces the addition of "China Automotive Tire Industry 2004" to its offerings.

The remarkable progress of China's automotive industry has culminated in the development of a significant tires subsector. Following China's accession to the WTO in late 2001, the growth rates for both sectors accelerated. To fulfill its ambition to become the main base of operations for leading foreign auto companies, it is imperative that China develop a world-class tires industry. In doing so, the country would become more attractive to leading automakers. Ready access to high quality tires would enable these companies to streamline their supply chains and purchasing operations while avoiding costly tires imports.

With an estimated value of nearly US\$6 billion in 2002, China's tires industry is large and poised for further high growth, bolstered by the rising fortunes of automobile manufacturers there. This industry is still largely driven by the multinational tire companies (eg. Michelin, Bridgestone, Goodyear and Yokohama) and their joint-venture partners, with Michelin alone accounting for 30% of the replacement tires market. Domestic players are relatively less skill-intensive, use simpler production techniques and have somewhat inconsistent quality standards. These domestic tire companies are also financially weak which explains their relatively lower investment in research and development facilities.

Although a considerable segment of the tires industry is concentrated in the Jiangsu, Shandong, Shanghai and Shenyang area, the domestic tires industry is still largely scattered across the country. This has resulted in a lack of cooperative synergies. Foreign multinationals, on the other hand, are more prone to cooperation in areas such as purchasing and research and development activities. For instance, Goodyear tires by purchasing a minor stake in Sumitomo tires, has taken steps to form a strategic alliance with its Japanese counterpart to share their marketing and purchasing operations.

The domestic companies owing to their lower investment in research and development also produced relatively obsolete products. Their production volumes also lagged that of their multinational counterparts.

The average annual tire output of China's domestic players in 2003 is approximately 410,000, considerably behind the 2.70 million produced by foreign tire companies in China. To become a leading player in the global tire industry, it is imperative that domestic tire companies rectify these weaknesses by developing more sophisticated production techniques. China has also taken up steps to produce products that are higher up the value chain. For instance, the country is now encouraging the production of radial tires¹ by promising the waiver of the 10% excise tax for radial tire products. Many domestic companies are also forming strategic alliances with multinationals to acquire greater expertise in production, distribution and marketing.

This market research report addresses issues of interest to investors, presents our main survey and research findings, and analyzes legal and production aspects. It concludes with a look at future developments in this key industry. A directory of useful contacts appears at the end.

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