

Bridgestone Braces for Lower Tire Prices as China Duties Expire

Tires are poised to get cheaper.

Bridgestone Corp. (5108), the world's largest maker of tires, is preparing for increased competition after a 25 percent punitive duty imposed by the U.S. against Chinese tires expired Sept. 26, Yuki Kawasoe, a spokesman at the Tokyo-based company, said yesterday. China's Hangzhou Zhongce Rubber Co., the nation's largest tiremaker, said it's ready to boost its exports to the U.S., said Ni Guoliang, head of the company's general office.

The end of the tariffs means Chinese producers will be able to compete on a level playing field in the U.S. for the first time in three years. President Barack Obama began imposing tariffs on \$1.8 billion of Chinese auto tires since 2009, acting on a labor union complaint that surging imports were pushing U.S. factory workers out of jobs.

"With the tariff gone, Chinese tiremakers will be able to increase exports to the U.S.," said Lee Sang Hyun, an automotive analyst at NH Investment & Securities Co. (016420) in Seoul. "This, in turn, will ease the hyper competitiveness in the Chinese market."

For Chinese tiremakers such as closely held Hangzhou Zhongce, which faced a 35 percent tariff in 2009 that was lowered by 5 percentage points each year, the end of the punitive duties mean higher overseas sales. Exports to the U.S. may recover to about 70 percent of levels last seen in 2008, said Hangzhou Zhongce's Ni.

Chinese Prepare

"We've been preparing for the tariff expiration for some time," Ni said in a phone interview yesterday.

The end of tariffs is "bullish" for China's tire industry, said Li Zhongxing, vice general manager at Qingdao Segrift International Logistics Co., a unit of Shanghai-traded Sailun Co. (601058) Most passenger-car tire plants are already running at full capacity catering to domestic demand, limiting their ability to boost production for exports, Li said.

Keith Price, a spokesman for Akron, Ohio-based Goodyear Tire & Rubber Co. (GT), the largest U.S. tiremaker, couldn't be reached for comment.

The tariffs had driven up industry prices by 10 percent to 15 percent and mainly benefited South Korean tire makers, Bret Jordan, an analyst at BB&T Capital Markets in Boston, wrote in a report this week.

"There will be an impact on the entire market," Kawasoe at Bridgestone said. "We will work to boost efficiency and cut costs to maintain competitiveness."

Sumitomo Rubber Industries Ltd. (5110), Japan's third-largest tiremaker, has no plans at present to introduce discounts or cheaper products to counter the expected increase in competition from Chinese exports, said Kumiko Makino, a spokeswoman for the Japanese company.

The tiremaker, which gets about 12 percent of its sales from North America, plans to maintain its competitiveness with "quality products and services," Makino said, without elaborating.