Rubber Products in China
Industry Study with Forecasts for 2017 & 2022

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Table of Contents

EXECUTIVE SUMMARY

MARKET ENVIRONMENT
General ............................................... 4
Economic Overview ..................... 5
Recent Economic Performance ....... 5
Economic Outlook ......................... 7
Demographic Overview ................. 10
Currency Exchange Rates ............ 13
Manufacturing Value Added ........ 16
Gross Fixed Capital Formation ...... 19
Policies & Regulations ................. 21
Technological Development ......... 23
Foreign Trade .......................... 26
Tires ...................................... 27
Industrial Rubber Products ......... 29
Other Rubber Products ............... 31
World Outlook ......................... 32
The Twelfth Five-Year Plan ......... 34

RUBBER SUPPLY & DEMAND
General ........................................ 37
Foreign Trade .......................... 39
Pricing Patterns ........................ 41
Natural Rubber Supply & Demand .. 43
Synthetic Rubber Supply & Demand 45
Synthetic Rubber Production Capacity 47

PRODUCTS
Supply & Demand ......................... 51
Tires ...................................... 54
Motor Vehicle Tires .................. 56
Light Vehicle Tires .................... 58
Medium & Heavy Duty Vehicle Tires 60
Industrial Vehicle Tires ............ 62
Motorcycle Tires ....................... 63
Bicycle Tires .......................... 64
Other Tires ............................ 65
Industrial Rubber Products ........ 66
Mechanical Rubber Goods ......... 69
Rubber Belts .......................... 73
Rubber Hose ........................... 76
Other Industrial Rubber Products .. 78
Other Rubber Products .............. 80

MARKETS
General ......................................... 82
Industrial Machinery ................... 84
Industry Outlook ....................... 85
Rubber Product Market ............ 87
Special Industrial Machinery .... 89
General Machinery ..................... 90
Motor Vehicles ........................ 92
Industry Outlook ....................... 92
Rubber Product Market ............ 94
Light Vehicles ......................... 95
Medium & Heavy Vehicles ....... 98
Aerospace & Other Transportation Equip 100
Industry Outlook ....................... 100
Rubber Product Market .......... 102
Other Markets ....................... 104

REGIONS
General ......................................... 107
Regional Demographic/Economic Trends 109
Population Patterns ................. 110
Economic Outlook ..................... 111
Regional Motor Vehicle Outlook .. 113
Regional Manufacturing .......... 115
Value Added Outlook ............... 115
Regional Construction ............... 117
Expenditures Outlook ............... 117
Regional Rubber Product Demand 119
Central-North .......................... 121
Overview ............................ 121
Rubber Product Demand .......... 123
Northeast ................................ 126
Overview ............................ 126
Rubber Product Demand .......... 128
Central-East ............................ 130
Overview ............................ 130
Rubber Product Demand .......... 132
Central-South .......................... 134
Overview ............................ 134
Rubber Product Demand .......... 136
Southwest .............................. 138
Overview ............................ 138
Rubber Product Demand .......... 140
Northwest ............................. 142
Overview ............................ 142
Rubber Product Demand .......... 144

INDUSTRY STRUCTURE
General ......................................... 147

Industry Composition ............... 148
Market Share .......................... 150
Product Development & Manufacturing .. 153
Marketing & Distribution .......... 154
Financial Issues & Requirements ... 156
Foreign Participation in the Chinese Market .... 157

COMPANY PROFILES
Anhui Zhongding Holding Group .... 160
Bridgestone Corporation .......... 161
Cheng Shin Rubber Industries ..... 165
Chengshan Group .................. 166
China National Chemical ... 167
Continental AG ....................... 172
Cooper Tire & Rubber Company .... 178
Double Coin Holdings .......... 180
Double Star Group .............. 181
Giti Tire .......................... 183
Goodyear Tire & Rubber ....... 184
Guizhou Guihang Automotive Components ............. 186
Guizhou Tyre Company .......... 187
Hangzhou Zhongce Rubber .... 188
Hankook Tire ....................... 190
Jiangsu Feichi Tire .............. 191
Kumho Tire ........................ 192
Michelin Group ..................... 194
New Dongyue Group ............ 197
Ningbo Tuopu Group .......... 198
Pirelli & C. SpA ..................... 199
Shaanxi Yanchang Petroleum .... 201
Northwest Rubber ............... 201
Shandong Aneng Conveyor Belt & Rubber ............. 203
Shandong Linglong Rubber .... 204
Shandong Xiantong Rubber .... 205
South China Tire & Rubber .... 206
Sumitomo Rubber Industries ... 207
Tianjin Pingliang Rubber Hose .... 209
Tianjin Wanda Tyre Group .... 210
Triangle Group .............. 211
Wuxi Boton Belt Company .... 213
Xingyuan Group .................. 214
Xinxing Cathay International Group 215
Zhejiang Double Arrow Rubber ... 216
Zhejiang Sanlux Rubber .... 217
Zhejiang Sanwei Rubber Item .... 218
Zhong Nan Rubber Group ........ 219
Other Companies Mentioned in Study ... 221
List of Charts

EXECUTIVE SUMMARY
1 Summary Table ........................................3

MARKET ENVIRONMENT
1 Gross Domestic Product of China .............9
2 Population of China .......................... 12
3 Chinese Currency Exchange
   Rates, 2002-2012 .......................... 15
4 Manufacturing Value Added in China .18
5 Gross Fixed Capital
   Formation in China .......................... 21
6 Chinese Foreign Trade
   in Rubber Products .......................... 27
7 Chinese Foreign Trade in Tires .............. 29
8 Chinese Foreign Trade in
   Industrial Rubber Products ............ 30
9 Chinese Foreign Trade in
   Other Rubber Products .................. 31

RUBBER SUPPLY & DEMAND
1 Rubber Supply & Demand in China ... 39
2 Chinese Foreign Trade in Rubber ......... 41
3 Rubber Pricing Patterns in China ........ 43
4 Natural Rubber Supply & Demand in China 45
5 Synthetic Rubber Supply & Demand in China 47
6 Synthetic Rubber Production Capacity in China, Year-End 2012 ......... 50

PRODUCTS
1 Rubber Product Supply & Demand in China .... 53
2 Tire Demand by Type in China ............. 56
3 Motor Vehicle Tire Demand in China .58
4 Light Vehicle Tire Demand by Sector in China .................. 60
5 Medium/Heavy Duty Vehicle Tire
   Demand by Sector in China ............ 61
6 Industrial Vehicle Tire
   Demand in China .......................... 63
7 Motorcycle Tire Demand in China .......... 64
8 Bicycle Tire Demand in China ........... 65
9 Other Tire Demand in China ............... 66
10 Industrial Rubber Product
   Demand in China .......................... 68
11 Mechanical Rubber Good
   Demand in China .......................... 73
12 Rubber Belt Demand in China ............. 76
13 Rubber Hose Demand in China ........... 78
14 Other Industrial Rubber Product
   Demand in China .......................... 80
15 Other Rubber Product Supply & Demand in China ............. 81

MARKETS
1 Rubber Product Demand
   & by Market in China ..................... 83
2 Industrial Machinery
   Production in China ..................... 87
3 Industrial Machinery Rubber
   Product Demand in China ............... 89
4 Special Industrial Machinery Rubber
   Product Demand in China ............... 90
5 General Industrial Machinery Rubber
   Product Demand in China ............... 91
6 Motor Vehicle Production & in Use in China .................. 94
7 Motor Vehicle Rubber Product Demand in China ............... 95
8 Light Vehicle Rubber Product
   Demand in China .......................... 98
9 Medium & Heavy Motor Vehicle
   Rubber Product Demand in China ... 99
10 Aerospace & Other Transportation
   Equipment Production in China ... 102
11 Aerospace & Other Transportation
   Equipment Rubber Product Demand in China .. 104
12 Other Market Rubber Product
   Demand in China .......................... 106

REGIONS
1 Population of China by Region .........111
2 Gross Domestic Product
   of China by Region ..................... 112
3 Motor Vehicle Output & Park
   in China by Region ..................... 115
4 Manufacturing Value Added
   in China by Region ..................... 117
5 Construction Expenditures in China by Region .................. 118
6 Rubber Product Demand in China by Region .................. 120
7 Central-North Region of China: Rubber Product Demand ......... 126
8 Northeast Region of China: Rubber Product Demand ............. 130
9 Central-East Region of China: Rubber Product Demand ............. 134
10 Central-South Region of China: Rubber Product Demand ............. 138
11 Southwest Region of China: Rubber Product Demand ............. 142
12 Northwest Region of China: Rubber Product Demand ............. 146

INDUSTRY STRUCTURE
1 Selected Rubber Product Sales
   in China by Company, 2012 ............. 149

LIST OF CHARTS

MARKET ENVIRONMENT
1 Population of China by Age, 2002-2022 ...................... 13
2 Chinese Currency Exchange Rates, 2002-2012 .................. 16

PRODUCTS
1 Rubber Product Demand by Product in China, 2012 .......... 54

MARKETS
1 Rubber Product Demand by Market in China, 2012 .......... 84

REGIONS
1 Rubber Product Demand in
   China by Region, 2012 .................. 121
2 Central-North Region of China .......... 123
3 Northeast Region of China ............... 128
4 Central-East Region of China ............. 132
5 Central-South Region of China ............. 136
6 Southwest Region of China ............... 140
7 Northwest Region of China ............... 144

INDUSTRY STRUCTURE
1 Rubber Product Market Share in China, 2012 .................. 150
Demand in China to grow 8.8% yearly through 2017

Demand for rubber products in China is projected to grow 8.8 percent per year to 740 billion yuan in 2017. Advances will be supported by healthy growth in manufacturing, especially in the industrial machinery and motor vehicle industries. Rapid expansion in China’s motor vehicle industry, driven by strong demand gains for both automobiles and other vehicle types such as medium and heavy trucks and buses, will contribute to growth in demand for tires and other rubber products.

Exports to remain strong despite some hurdles

Rubber product shipments in China are forecast to increase 8.6 percent annually through 2017 to 890 billion yuan, benefiting from sizable expansions in the domestic market as well as rising export demand for Chinese rubber products, especially tires, as the quality of Chinese rubber products continues to become internationally competitive. China will continue to see a significant trade surplus in rubber products for the foreseeable future.

Exports of rubber products will grow 7.3 percent per year through 2017, driven by competitive prices and improved product quality. However, the EU’s new tire labeling regulations, which took effect in November 2012, and the continued antidumping duties imposed by the US and Brazil will restrain Chinese tire exports to some extent. Imports of rubber products are expected to grow 6.9 percent yearly through 2017. Foreign suppliers will continue to benefit from growing demand in China for higher quality industrial rubber products.

Tires are key rubber product segment

Tires are the largest rubber product segment, benefiting from high motor vehicle production and a large motor vehicle park. As income levels continue to grow, greater demand for higher-priced tires will further boost product sales. Tire demand will also benefit from industrial vehicles such as agricultural equipment and construction machinery, which utilize very expensive tires.

Motor vehicle, industrial machinery markets to lead gains

The industrial machinery and motor vehicle markets have the largest impact on overall rubber product sales, as they accounted for 72 percent of all demand in 2012. Gains in these two markets are forecast to outpace the market average through 2017. Further plans to expand industrial machinery and motor vehicle production will continue to fortify growth. Rubber product demand in the aerospace and other transportation equipment market is projected to grow at the most rapid rate through 2017, benefiting from strong increases in the production of commercial aircraft such as CRJ21 and C919, helicopters, and aircraft parts.
Mechanical rubber goods in China will continue to be the largest category in industrial rubber products, with demand growing at a rate of 9.7 percent per year to ¥130 billion in 2017. Product sales will be largely supported by growth in the production of industrial machinery, and motor vehicles, and by the size of the industrial machinery and motor vehicle park. In addition, increasing sales of complex machinery and luxury motor vehicles will also contribute to gains in value.

The mechanical rubber goods segment encompasses a variety of molded, extruded, and lathe-cut products. Mechanical rubber goods can be categorized by four major product types: vibration control, body seals, wiper blades, and other. Vibration control products are the largest segment, accounting for over two-fifths of all mechanical product demand in 2012. Body seals and wiper blades are also significant, representing 30 and 11 percent of 2012 demand, respectively, and the majority of which are utilized in the aftermarket.

Major vibration control products include air springs, body mounts, bushings, cradle mounts, engine mounts, exhaust pipe hangers, frame mounts, inertial dampers, isolators, jounce bumpers, steering struts, strut mounts, torsional vibration dampers, and transmission mounts. Natural and styrene butadiene rubber are most commonly utilized in the production of vibration control products, although polyurethane and ethylene-propylene diene monomer (EPDM) are finding increasing use. Rubber materials face competition from urethane and other plastics, as well as from plastics, in certain vibration control applications.

Vibration control product demand is projected to rise at a rate of 9.1 percent per annum to ¥54 billion in 2017. Advances will be supported by growth in both industrial machinery and motor vehicle production.
Cheng Shin Rubber Industries Company Limited
215 Meei-Kong Road
Ta-Tsun, Chang-Hwa
Taiwan
886-4-852-5151
http://www.cst.com.tw

Sales: ¥27.8 billion [US$4.4 billion] (2012)

Key Products: tires for passenger cars, light trucks, heavy duty trucks, buses, agricultural equipment, earthmoving/off-road equipment, industrial vehicles, and other applications

Cheng Shin Rubber Industries Company Limited is the largest supplier of rubber products to the Chinese market in 2012 with ¥14 billion in related sales, accounting for a 2.9 percent share. Cheng Shin Rubber Industries, which also does business as Maxxis International Company Limited, processes, manufactures, and trades tires, reclaimed rubber, other gummed rubber, synthetic rubber, and rubber-related machinery. The Company operates in the Asia Pacific region, North America, and Europe.

The Company is active in the Chinese rubber products industry through the manufacture of tires, which are marketed under a variety of brand names, including MAXXIS and CST. Among Cheng Shin Rubber Industries’ MAXXIS tires are MA-T1 ESCAPADE types, which feature special tread compounds for long wear and quiet rides in passenger cars and light trucks; and UR-275 models that have low rolling resistance in heavy duty trucks and buses. Other products in the MAXXIS line comprise tires for use in agricultural equipment, motorcycles, bicycles, earthmoving/off-road equipment, industrial vehicles, and racing cars. The Company manufactures CST tires for use.

TABLE III-2
CHINESE FOREIGN TRADE IN RUBBER (000 metric tons)

<table>
<thead>
<tr>
<th>Item</th>
<th>2002</th>
<th>2007</th>
<th>2012</th>
<th>2017</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rubber Shipments + imports</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Natural Rubber</td>
<td>891</td>
<td>1594</td>
<td>2183</td>
<td>2820</td>
<td>3430</td>
</tr>
<tr>
<td>Synthetic Rubber</td>
<td>745</td>
<td>1200</td>
<td>1315</td>
<td>1450</td>
<td>1580</td>
</tr>
<tr>
<td>- exports - imports</td>
<td>81</td>
<td>79</td>
<td>218</td>
<td>320</td>
<td>460</td>
</tr>
<tr>
<td>Natural Rubber</td>
<td>1</td>
<td>4</td>
<td>13</td>
<td>20</td>
<td>30</td>
</tr>
<tr>
<td>Synthetic Rubber</td>
<td>80</td>
<td>75</td>
<td>205</td>
<td>300</td>
<td>430</td>
</tr>
<tr>
<td>Rubber Demand</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Imports as a Percent of Demand</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exports as a Percent of Shipments</td>
<td></td>
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</tbody>
</table>

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