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Seoul

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Kumho Tire to nearly double capacity at Vietnam plant by 2023

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[Photo provided by Kumho Tire Co.]

South Korea's Kumho Tire Co. under ownership of China's Doublestar Tyre pledged \$297.8 million to nearly double the capacity at its tire plant in Vietnam to sustain exports to North America while avoiding hefty U.S. tariffs.

Kumho Tire announced in a disclosure Wednesday that its board gave a nod to the expansion plan for its Vietnamese plant currently running at annual capacity of 5.5 million motor tires since it was constructed in 2008 at a cost of \$200 million.

The new investment pledge is six times higher than its 2019 annual operating profit. The company will fund the expansion from the third quarter of 2019 to the first quarter of 2023.

The company faces a hefty hike in tariffs on its exports to the U.S. The U.S. Department of Commerce late last year delivered its preliminary ruling on tire imports to levy anti-dumping charges of 27.81 percent on Korea-made tires, more than doubling the 10.08 percent on Vietnam-made tires.

Kumho Tire, which operates eight factories in four countries – Korea, China, the U.S. and Vietnam, chose production expansion in Vietnam as a breakthrough as it hopes to bolster tire sales in North America in the mid to long term.

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Another leading Korean tire maker Hankook Tire & Technology Co. will also ramp up capacity at its U.S. factory in Clarksville, Tennessee with about 100 billion won investment starting the second half of the year.

Upon the completion of the expansion in Vietnam, output from the plant is expected to increase to 9.3 million units from current 5.5 million.

Details about the financing plan have not been disclosed, but China's Doublestar Tyre, its parent, is expected to shoulder part of the required amount, considering the current hardship under Covid-19 pandemic and rising raw materials prices.

Kumho Tire shares rose 1.03 percent to close Thursday at 3,935 won in Seoul trading, and Hankook Tire & Technology gained 2.7 percent to end at 45,700 won.

By Park Yun-gu and Lee Ha-yeon

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