

## EU to Make Final Determination of AD Investigation Against China;

### Will Orders be Switched to Other Countries Again?

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The European Commission (EC) is scheduled to announce the final determination of the AD investigation against certain iron and steel fasteners originating in China on Feb. 17, 2022. After the previous final disclosure of the EC's intent to impose the AD rate of up to 86.5%, which later resulted in the deep concern of EFDA, the already unstable global iron and steel fastener supply and demand are expected to face headwinds again. For Chinese companies used to face high trade barriers in overseas sales, Taiwanese companies reporting significantly growing order acceptance but lack of materials and containers, and European/U.S. buyers relying heavily on supply sources from the Far East, "Have you all been geared up to take on the upcoming challenges?"

Some market analysts pointed out that if Taiwanese companies can grasp opportunities this time, they may receive lots of orders originally placed to China. For years the global standard parts market has been dominated by two major supply sources- China and Taiwan. Although some emerging suppliers from Southeast Asia have gained quicker access to major markets in recent years through zero tariff FTAs their parent countries signed with Europe and the U.S., their technical level and capacities are still far behind those of China and Taiwan and it's too early to call them as a threat at this moment. **If the EU's final determination is affirmative, it is estimated that Taiwanese companies will become the biggest beneficiary.**

According to the statistics of Taiwan Customs (see the table on next page), Taiwan's fastener exports to major European countries in 2020 showed a drop of some 10% from 2019, which was considered a risk at that time. However, since last year Taiwan's fastener exports to Europe and the U.S. started to show a retaliative growth and quick recovery, gradually turning the risk into an opportunity. Taiwan's fastener exports to Germany, the Netherlands, UK, Italy, Poland, Sweden and Spain in 2021 all revealed a growth of at least 20% from the same period of 2020 and the supply was even unable to meet the demand. Moreover, Taiwan CSC announced the latest price adjustment for Q1 2022 (all types of wire rod were reduced by NT\$500/ton), slightly alleviating the pressure from material costs, Taiwanese companies perhaps can make the most of this opportunity to retrieve the previously lost orders for standard parts in the European market due to the price cutting competition and cost advantage of their Chinese counterparts.

However, **in addition to being active in retrieving the lost share in the standard parts market, Taiwanese companies should be also aware of the fluctuations of raw material prices and exchange rates and accelerate their expansion to high value-added products to respond to future trends such as electric vehicles, smart manufacturing lines, and carbon neutrality.** According to IMF's forecast released in H2 last year, the global GDP growth in 2022 is expected to land at around 4.9%. Several experts and companies also forecast that the demand in advanced markets such as aerospace and automotive, which has been held back since 2020, is very likely to show an explosive growth within a few years. As a result, making early preparations is definitely a right way. According to the current situations, the fastener industry may continue to develop very well in the future.

#### Stay Away from Price Cutting Competition Adopt High Value-added Materials

Price cutting may be a fast and temporary solution for suppliers from emerging regions/countries to win orders, but for Taiwan where there has been a mature fastener supply chain, this is definitely not a long term plan. Many non-fastener industries actually have dedicated themselves to the development of high value-added products for years and the fastener industry has been left far behind. **In order to change this scenario, the simplest and quickest way is to acquire more advanced materials that are specifically developed for future demands to upgrade the added value of products and create an advantage niche.** In the past, Taiwanese companies could only rely on imported materials to manufacture more advanced products, making them unable to create their own cost advantage. However, recently there have been stable supply sources in Taiwan. For example, the automotive aluminum alloy wire rod Taiwan-based Ye Fong Aluminum Industrial Ltd. produces with aerospace-level manufacturing procedures allows manufacturers eager to stay away from price cutting competition to achieve this goal quicker. Although Taiwan does not have a complete car manufacturing supply chain similar to its Japanese or Korean counterparts to sustain the entire industrial development, it can still indirectly close the gap between its avg. unit price and those of other countries like Japan or Korea and enlarge the gap between its avg. unit price and those of China or Southeast Asian countries through obtaining the same level or even higher level of lightweight automotive fastener manufacturing capabilities to gain the recognition of customers in more European/U.S. automotive supply chains.



| Top 15 Destined Countries of Taiwan's Fastener Exports (KG) (HS Code 7318) |                 |                   |                   | Source: Taiwan Customs |               |               |
|--|-----------------|-------------------|-------------------|------------------------|---------------|---------------|
| Ranking  | Countries       | 2020/01 - 2020/11 | 2021/01 - 2021/11 | Total Share (%)        | YoY Ratio (%) | Volume Change |
| 0  | Total           | 1,235,201,723     | 1,487,751,800     | 100                    | 20.446        | 252,550,077   |
| 1  | USA             | 553,310,478       | 652,399,562       | 43.851                 | 17.908        | 99,089,084    |
| 2  | Germany         | 105,760,677       | 127,209,693       | 8.550                  | 20.281        | 21,449,016    |
| 3  | The Netherlands | 59,254,434        | 84,457,420        | 5.677                  | 42.534        | 25,202,986    |
| 4  | Japan           | 59,219,353        | 60,727,289        | 4.082                  | 2.546         | 1,507,936     |
| 5  | UK              | 37,672,781        | 56,029,428        | 3.766                  | 48.727        | 18,356,647    |
| 6  | Canada          | 41,165,568        | 52,475,023        | 3.527                  | 27.473        | 11,309,455    |
| 7  | Italy           | 24,355,880        | 33,607,454        | 2.259                  | 37.985        | 9,251,574     |
| 8  | Poland          | 24,875,629        | 30,879,870        | 2.076                  | 24.137        | 6,004,241     |
| 9  | Mexico          | 21,275,820        | 30,810,840        | 2.071                  | 44.816        | 9,535,020     |
| 10   | China           | 21,553,360        | 30,148,054        | 2.026                  | 39.876        | 8,594,694     |
| 11   | Sweden          | 22,509,696        | 29,638,903        | 1.992                  | 31.672        | 7,129,207     |
| 12   | Spain           | 20,086,247        | 29,634,628        | 1.992                  | 47.537        | 9,548,381     |
| 13   | France          | 20,831,105        | 24,272,312        | 1.631                  | 16.520        | 3,441,207     |
| 14   | Thailand        | 19,053,832        | 22,040,015        | 1.481                  | 15.672        | 2,986,183     |
| 15   | Australia       | 18,049,878        | 20,543,772        | 1.381                  | 13.817        | 2,493,894     |

### ✓ Perfect Labor Division in the Industry TSMC Can Do It, So Can the Fastener Industry

The perfect semiconductor industrial passage TSMC created along the West of Taiwan can be one of the best examples for the fastener industry seeking for a more integrated industrial supply chain. Each process such as production of different sizes of wafers or peripheral packaging and testing is in charge by different companies, which can not only avoid the direct competition among companies with high homogeneity, but can also allow each of them to demonstrate their strengths, thus enabling them to achieve better profit margin and maximize the synergy resulted from labor of division. The resultant considerable revenue, work opportunities, global market share, national image, and scale economy have also made it easier to get the government's resources and attention. In addition, modern production lines (incl. the introduction of automated warehousing systems, smart factories that better satisfy European/U.S. customers' demands, and the introduction of ERP, green energy, 5G IoT, Big Data, etc.) can also make production lines operate faster and more efficiently and reduce the unnecessary labor and time cost. The smart factory Gwo Lian Machinery Industry set up in Kaohsiung, Wyser's new plant, Chong Cheng's introduction of high-end manufacturing equipment, Hu Pao's latest ERP system and intelligent energy management system of its new plant are the best proof that many Taiwanese fastener-related companies have been going toward this direction. With the fastener manufacturing cost getting higher, all these examples may give fastener companies some better ideas. Taiwanese fastener industry basically has demonstrated a certain level of labor division (such as material supply, equipment, finished products, processing, distribution, etc.), **if such a division can be further improved from the perspectives of products, manufacturing procedures, technology, and service and each one can support and unite strengths of each other to create more momentum to draw the government's investment in industrial development, I believe Taiwanese fastener industry in the global fastener supply chain will be more competitive and their influence will be also upgraded.**

### ✓ Fastener World Has the Best Knowledge of Int'l Marketing We'll be Present at Every Int'l Exhibitions

One domestic magazine of Taiwan once published a feature coverage of a few so-called "representative companies" in different industries. These companies are indeed excellent, and for its readers from different industries, such a coverage may be already enough for them to understand the industries. However, Taiwanese fastener industry is a very export-oriented industry with years of experience in fastener exports and every company has its own strengths and features in terms of sales, technology or service. As a result, it is a bit difficult to just select some fastener companies and call them as "representative". What overseas buyers really want to know is every company's past, present and future as well as their differences and strengths, so finding out which companies can better serve their needs has been always the most important direction over the past 3 decades for Fastener World in helping companies expand to the global market. As long as it is beneficial to Taiwanese companies, the team of Fastener World will do whatever it takes to help companies promote their products and brands and have them noticed by potential buyers through our global magazine circulation and close ties with domestic and overseas buyers. Despite lots of challenges ahead in 2022 and dates change of some int'l exhibitions, **we promise that we will attend every exhibition as long as it is sure to take place and will have our representatives onsite to maximize promotional results for customers.** During the exhibition, we 'll also have staff on duty in Taiwan to interact with visitors at exhibitions via video chat, missing no opportunity to promote for our customers. With our steady work and solid progress, we sincerely hope that all friends from the industry can continue to trust, support, and encourage the team of Fastener World and work with us together in 2022 with unlimited opportunities.

