



IFST Seminar Sheds of Light on

New Ray the Fastener Industry

by Serena Hsiao, Fastener World Inc.

The first edition of the International Fastener Show Taiwan (IFST) spanned three days and hosted a seminar of 19 speeches on the fastener industry, inviting industry dignitaries to deliver talks on global economic and fastener market conditions, including Executive Vice President Mr. Thomas Klenk of Würth Group, Executive Vice President Mr. Scott Camp of Fastenal Co., Global Procuring Vice President Mr. Andreas Bertaggia of Swiss Bossard Group, Mr. Gerd Koester of German BRANKAMP GmbH, NFDA Former President Mr. Jay Queenin, EFDA President Dr. Volker Lederer, EFDA Former Chief Secretary Mr. Bernd Stapf, China Fastener Industry Association President Mr. Feng Jin-Yao, Brighton-Best International Inc. President Mr. Robert Shieh and Senior Vice President Mr. Dennis Chang, and Project Manager Mr. Wayne Sung of NUK Advanced Business Incubation Center.

Besides talks on market condition, other speakers gave insightful talks on technology, including Procurement Director Mr. Edward Park and Procurement Manager Mr. Alexander Kuan of SPS, Professor Chih-Ming Chen of National Chin-Yi University of Technology, General Manager Mr. Tadashi Camey of Nylok International Operations, Application Engineering Representative Mr. Adrine Price of German omniTECHNIK, Development Manager Mr. David Han of TSLG Kunshan, President Mr. Alex Wu of Ching Chang Optical Technology Co. Ltd., Project Manager Miss Valentina Chen of Gwo Lian Machinery Industry Co. Ltd., CEO Dr. Volker Schatz of Schatz AG Group, General Manager Dr. John Lwo of Grand Best Technology Corporation, Technology Manager Dr. Volker Krenzler of Atotech, and R&D Manager Mr. Huang Yao-Chin of Chun Zu Machinery Industry Co., Ltd. IFST seminar is set to "fasten" Taiwan, the screw industry, and the academia together with the globe and inspire a new wave of inspiration.

In this issue, the editorial has arranged a digest of 5 speeches, and we will cover on all 19 speeches in the consecutive issues. Don't miss it!



EU - Fasteners Import Restrictions

Speaker: EFDA Former Secretary Mr. Bernd Stapf

arranged by Dean Tseng, Fastener World Inc.

1. Rules & Regulations

Anti-dumping (AD)

The EC came to a final decision on AD within 15 months. A company is dumping if it is exporting a product to the EU at a price lower than the normal value (which is cost of production + profit) of the product on its own domestic market. The calculation of the dumping margin is complex and dependent on many variables, such as whether or not the firm is located in a country with a market economy status (MET), or whether domestic prices are representative. In general, the dumping margin increases significantly for countries such as China, considered with economies in transition.

As for the investigation procedure of AD, when someone lodges a complaint of AD, the commission has 45 days to start an investigation or otherwise forfeit the case. The complaint is about 200 pages and it has to be translated into 23 languages in Europe, so 45 days are quite tough. The start of investigations is typically one day after publication in the Official Journal. Within 37 days after initiation of the investigation, anti-dumping questionnaires from companies involved must be presented. During the first 4-5 months of the investigation, questionnaires are analyzed and verified by investigators' visits. The commission will take a sample company and analyze it, which usually lasts for about two weeks. Any time within 9 months after the investigations are launched, preliminary duties can be adopted. That means possible adoption of provisional duties. Within 15 months of initiation, definitive duties must be adopted or the case is closed.

Some of you may see European Commission's (EC) import restrictions as trade barriers for those who want to enter the market, but we see it as trade defense instruments to remove unfair trade behaviors out of foreign markets. It is to ensure a level playing field ruled and protected by the World Trade Organization (WTO) and individual governments, and it transforms into an international law. In the year 2010, the EC started working on the removal of package of trade defense instruments and targeted to finish the removal within four years through 2014, which is also based on the WTO rules.



Procedures

Before AD is introduced, 4 conditions must be met: (1) There is dumping by the exporting producers in the country/countries concerned, (2) Material injury has been suffered by the European Community industry concerned, (3) There is a causal link between the dumping and injury found, and (4) The imposition of measures is not against the Community interest. Measures will lapse after 5 years unless an expiry review is initiated. The inspected financial result of the duties must cover the cost of the investigation.

There are three European bodies involved in the AD procedure: (1) Commission of the European Communities only has the authorization to adopt Anti Dumping Duties, (2) Directorate-General for Trade determines the committee (which is the hearing partner and leads the investigations) as case handler(s) to work towards a final proposal, and (3) European Council decides on the base of DG-Trade's proposal. The decision becomes a law one day after its publication in the Official Journal.

AD procedure is a technical process, and your participation is important. It is good advice to participate in the sampling

AD-Regulations since 1997 - Stainless Steel Fasteners

Since 1997, we have the stainless steel fasteners regulations against China and Taiwan. There was a case regarding India, but the case was set without regulations. Regulations against Thailand, Indonesia, and Vietnam expired in the year 2010. Regulations against Philippines will last until 2017.

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
PRC	X	X	X	X	X	X	X		X	X	X	X	X	X	X	X	X	X	X	X	X
Taiwan	X	X	X	X	X	X	X		X	X	X	X	X	X	X	X	X	X	X	X	X
India	X	X	X	X	X	X	X								Case set						
Korea	X	X	X	X	X	X	X														
Malaysia	X	X	X	X	X	X	X														
Thailand	X	X	X	X	X	X	X		X	X	X	X	X	X							
Indonesia									X	X	X	X	X	X							
Vietnam									X	X	X	X	X	X							
Phillipines																	X	X	X	X	X

and questionnaire and become an "interested party". Interested parties will be kept informed about the status of the process and have the possibility to get heard by the AD Committee. The Committee is keen to get as much information as possible as long as the arguments are verifiable.

Expiry Review is usually requested by producers in the EU and must include evidence that the expiry of measures would be likely to result in a continuation or recurrence of dumping and injury. This can be demonstrated by evidence that (1) dumping and injury are continuing, (2) the removal of injury is only due to the measures in force, and (3) further dumping and injury are likely if the measures are allowed to expire. An expiry review can result only in the repeal or continuation of the duties in force. That means only Yes or NO. If measures are maintained, they will remain in force for another five years. An expiry review cannot lead to a changed level or form of the duties; these can only be changed by an interim review. AD Regulation 91/2009 Carbon-Steel Fasteners origin China and Malaysia will expire in January 2014. It is certain that the EU manufacturers will appeal to extend for another period of 5 years through 2019 unless an interested party launches a request for an interim review.

Circumvention act is any activity designed to avoid the payment of anti-dumping or countervailing duties imposed on a product manufactured in and/or exported from a non-EU country. The act may be slightly modifying a product so that it can be classified under a combined nomenclature code that is not subject to duties (Blanks CN 7215....), or falsely declaring that a product originated in a country not subject to duties (transshipment in Free-Ports). Circumvention procedures can last for up to 9 months. Customs are advised to register all incoming shipments from the day of announcement in the Official Journal. In a recent case, circumvention activities for stainless-steel fasteners of Chinese origin via Malaysia and Thailand could not be proven, and the case is closed. However, Anti Dumping Duties are imposed for the Philippines, where circumvention activities have been proven, with the exception of two manufacturers. Invoices for retroactive-customs-claims since June 15th 2012 are issued. EFDA organized a distributor platform to cooperate with the AD Committee in presenting

AD-Regulations since 1997 - Fasteners of Iron or Steel

Tariffs were lowered from 85% to 74% due to WTO recommendations.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
PRC		X	X	X	X	X	X					
Malaysia				X	X	X	X					

2012 adapted regulations due to WTO recommendations

detailed information. Unfortunately the high tariffs invited companies for circumvention, which did lead to massive market distortions (and still does). EFDA and none of the national distribution associations support members which are involved in circumvention. Therefore, the importer is responsible and bears the consequences for the products he or she brings to the common market.

European Anti-Fraud Office (OLAF) is charged by the European Union protecting the financial interests of the European Union. It acts independently from the Directorate-General for Trade, sets its own priorities, and investigates worldwide. OLAF acts strictly according to customs code with an assessment for the country of origin. It makes only recommendations to be executed by the national customs authorities, thus it is not legally contestable. Retroactive custom-duties claims can cover a period of up to 4 years and will include additional national penalties. Recently AD-Duties are retroactively invoiced for carbon steel fasteners of Chinese origin, circumvented via Malaysia in the period between January 2009 and October 2010, and investigations are in process for carbon steel fasteners of Chinese origin, transshipped via Taiwanese free-ports.

2. Impact

What is the impact of the restrictions? Now let's go to the statistics:

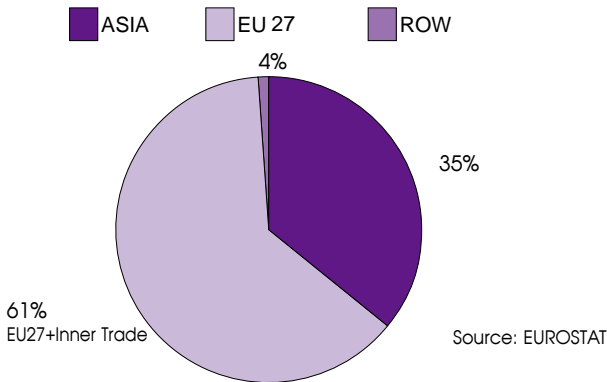
EU27 Fastener Trade Relations - Where Fasteners Come From



Import percentage from Asia in 2008 was very high before AD started against China. Then, the duty went down. Basically there is not a real significant difference all the way through 2012.

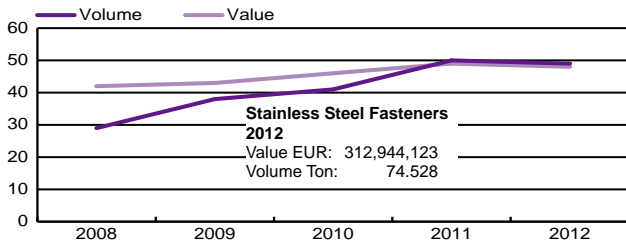
EU27 Import Relations - Stainless Steel Fasteners

We imported 330 million euros or 75 thousand tons of stainless steel fasteners.



EU27 Share of Imports - from sources outside Europe

Half of stainless steel fasteners import came from Asia.



EU Imports from Asian Sources - Stainless Steel Fasteners

2 thousand tons of stainless steel fasteners are imported from Asian countries, out of 75 thousand from other countries outside Europe. Percentage of import from India, Malaysia, Thailand, and Philippines are increasing.

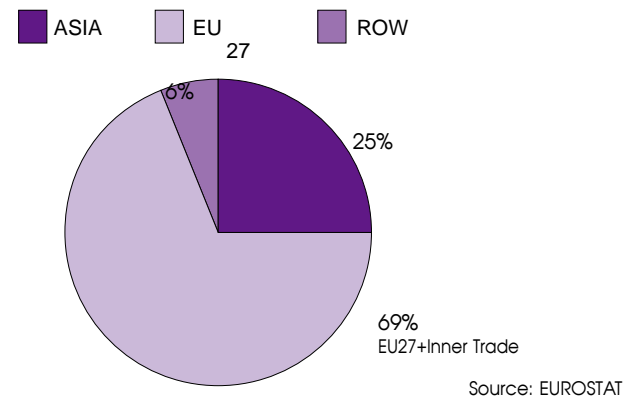
Shares		2008	2010	2012	2012 Total EU imports from third countries	
Total 13 Asian Countries	M€	227	264	282	Value M€	313
	ton	52.529	68.893	71.941	Volume ton	74.528
India	ton	28%	32%	37%		
Malaysia	ton	26%	14%	14%		
Taiwan	ton	8%	9%	9%	ADD	03.01.2017
Thailand	ton	1%	1%	9%		
Philippines	ton	13%	23%	1%	ADD	03.01.2017
PRC	ton	4%	5%	3%	ADD	03.01.2017
Total	ton	80%	84%	79%		

The percentage of iron and steel fasteners changed due to the



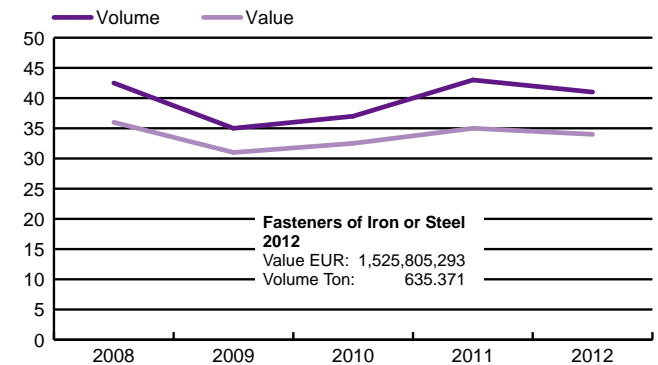
EU27 Trade Relations - Fasteners of Iron or Steel

announced AD duties.



EU27 Share of Imports - from sources outside Europe

There was not so much demand for iron or steel fasteners in 2009. In 2012, we imported 1.5 billion euros or 635 thousand tons of iron or steel fasteners.



EU27 Share of Imports - from sources outside Europe

Taiwan made a big jump from 21% to 57% import share, whereas China slipped from 68% to 3%. Import from China was partly replaced by that from Taiwan.

Shares		2008	2010	2012	2012 Total EU imports from third countries	
Total 14 Asian Countries	M€	1.362	1.022	1.240	Value M€	1.526
	ton	971.914	550.245	584.558	Volume ton	635.372
Taiwan	ton	21%	50%	57%		
Vietnam	ton	2%	8%	10%		
India	ton	2%	5%	8%		
Korea	ton	1%	2%	3%		
Malaysia	ton	1%	19%	4%	ADD	25.01.2014
PRC	ton	68%	5%	3%	ADD	25.01.2014
Total	ton	95%	89%	85%		

3. Focus on the Future

More globalization creates more rules, standards, and regulations. Thus, to be involved is a MUST. In addition, FTAs are increasingly liberalizing foreign trade, and weak governments will call for protectionism. The good news is, "It is not the cheapest, but the fittest who will succeed." EFDA stands for fair trade against dumping and subsidy, and free trade against protectionist measures. Keep in mind that fair duties are OK but the EU AD process does not always produce fair duties.

An Update of the EFDA Targets and Structure

The project of EFDA is the awareness for the importance of our trade activities which enhance the productivity and competitiveness of the European Industry. EFDA's target is to get an impact on the European regulation process to approach to free and fair trade on the European level for our industry. Below is an update of the EFDA structure:

Table 1. Update on acting persons

Position	Name	Nationality	Note
President	Mr. Dr. Volker Lederer	Germany	President of Lederer GmbH
Vice-president	Mr. Serge Kopinski	France	Member of the French national fastener association
Treasurer	Mr. Antonio Guedea Medrano	Spain	Newly elected
General Secretary	Mrs Dr. Helena Melnikov	Germany	Member of the German Wholesaler Association



European Economy and EFDA News

Speaker : EFDA President Mr. Volker Lederer

arranged by Dean Tseng, Fastener World Inc.

To enable EFDA to reach member associations' targets we started our process of reorganization in 2010. The new structure has three important legs:

1. Move of the secretary to a professional lobby organization, the German Federation of Wholesale and Foreign Trade, located in Brussels and Berlin.
2. Parallel installation of a task force, composed of international high level professionals from our industry. The force leader is Mr. Andreas Bertaglia, Vice-President of Bossard.

Table 2. EFDA Member Associations

Title	Abbreviation	Origin	President	Note
British Association of Fastener Distributors	BAFD	UK	Mr. Keith Harrison	—
Asociación de Distribuidores Españoles de Fijaciones	ADEFI	Spain	Mr. José Unzueta	—
Fachverband des Schrauben Grosshandels	FDS	Germany	Dr. Florian Seidl	—
Association des Distributeurs Français en Éléments de Fixation	PRISMEFIX	France	Mr. François Levy	—
More Europe Individual Members from non-member countries	MEFDA	Europe	—	A new integration. Companies from countries in Europe, which have no national fastener association, may become member of EFDA via MEFDA
(In negotiation) Dutch association for fastener importers	NEVIB	Netherlands	—	EFDA and NEVIB are talking about a membership of NEVIB, starting in 2014



3. The constitution of MEFDA.

EFDA has 3 major projects:

1. Trade defense instruments like Anti-Dumping and Anti-Subsidy.
2. Product safety and market surveillance.
3. The avoidance of circumvention through Asian free ports and leaks in European outer borders. Circumvention distorts our markets and is a serious threat to free and fair markets.

Economic Condition — Europe and Partners

For 2013, the Deutsche Bank, the first bank of Germany predicts negative growth of -0.3% for the whole Union. But for 2014 they are more optimistic. Because of a stronger global growth starting in the second half of this year they expect a positive growth of 1.1% for the European Union in 2014. However, the Deutsche Bank also mentions main risks for this slightly positive perspective: Political tensions because of governments which don't want to reform, or political unrest in some southern European countries.

The crisis management of the European governments led to some positive achievements which could support Europe in coming out of the Euro-crisis:

1. Reform governments in countries like Portugal, Spain or Ireland.
2. Bank stability in most countries. Exemption: Cyprus.
3. Fiscal consolidation of the national households.
4. Structural reforms have been started in almost all European crisis-countries.
5. Financial shields.
6. Restructuring of Greece.
7. The financial markets are stabilized. Even the bank eruption in Cyprus doesn't harm our Euro currency.

Open challenges for the European Union are:

1. Economic growth and unemployment (between 30-50 % in some south European countries) are still at risk.

2. The way to fiscal sustainability is still very long. We have to stay on this way which is not easy under the difficult political situations in some countries.
3. The extent of reforms is not sufficient in the big European economies like France and Italy.
4. The willingness to control the European developments through European administrations. This may help, but on the other side this could enforce the bureaucratic structures. At the end this could paralyze our economical dynamics.

Compared to China, Italy and France are spending 50-70% of the national GDP more. It shows that the bureaucratic structures in these countries are much too expensive and inflated. The productivity development in Italy and Spain is the lowest compared to other developed economies like USA, Korea or even UK. If we take a look at the global economical outlook for the next two years it is obvious that Europe is behind the world and also behind most of the important industries and emerging nations.

European Fastener Market Condition

The complete trade volume of fasteners in the European Union adds up to almost 6 billion and 1.8 million tons per year. Around two thirds of the trade volume has its origin in Europe. The other third is coming nearly completely from Asian countries. The trade relations in the European Union are quite stable.

The drivers in fastener demand in Europe are: (1) Automotive industry, especially in Germany, Italy and France, (2) Aerospace industry, and (3) Construction industry. For the fastener distributors, this offers two main strategies: (1) Large companies grow larger by acquiring small players with solid customer base, strong growth potential or complementary products, and (2) Medium sized and small companies need even more focus on flexibility, personal service and on-hand inventory to strengthen their position. The car industry as driver No. 1 of the European fastener demand is actually in a difficult situation with car production down by 4,9% in 2012, compared to 2011. Especially France, Spain and Italy are losing car production. The main reason is the economic crisis in southern Europe, where the cars from these countries are most popular. But also Germany is losing around 8% in their car production. In 2012 the new car registration in the European Union was down by 8.2%. On the European market we face a fast increase of competition not only because of a reduced demand, but also as a result of free gross-border-trade and enhanced transparency.

Europe is an Ongoing Process

All political and economical forces are aware that to step out of the Euro-crisis stronger as before, Europe needs a climate to inspire entrepreneurship and support ownership, to create the conditions for sustainable growth through enhanced competitiveness, and to continue the process of developing the European Union towards a political and economical community.

US Economic Trends & Fastener Market

Speaker: NFDA Former President Mr. Jay Queenin

arranged by Dean Tseng, Fastener World Inc.



1. US Condition Updates

In 2011, we had just been through the great recession, and US business did not know what to expect, and we were all very nervous. Many of us almost lost 30% to 50% of our sales over night. The only one thing that saved us was the great employment flexibility. Most of the company that survived took drastic actions to reduce costs and get through the difficult time. Today, we have a different picture. It has been great 18 months for businesses in the US.

As in Fig.1, after the US recession in 2008 and 2009, the US Gross Domestic Product has steadily risen since 2010, so we are in a better position than that in 2008, which is very good for US businesses. As for the stock market (Fig.2), recently in the last months we set a record high. There are a number of factors that lead into this, including the historically low interest rate. With that being said, there have been very sharp corporate earnings over the course of last 18 months, and that has caused the record highs, which is more than double compared to the earnings in 2009. US employment continues to rebound (Fig. 3), but we are still 3 million jobs below the 2008 levels. Unemployment rate dipped below 8 % (Fig.4), which is a very big psychological barrier for the US. Everyday in US we talk about the high unemployment rate which historically have been 3% to 5%. There are many people who are unemployed and just don't have the skills to compete in the new world after 2009. The PMI index still remains above 50 (Fig.5), which is a good sign and means that the US economy continues to expand. Generally speaking, things are heading up.

Fig. 1. US Gross Domestic Product



Fig. 2. Dow Jones Industrial Average

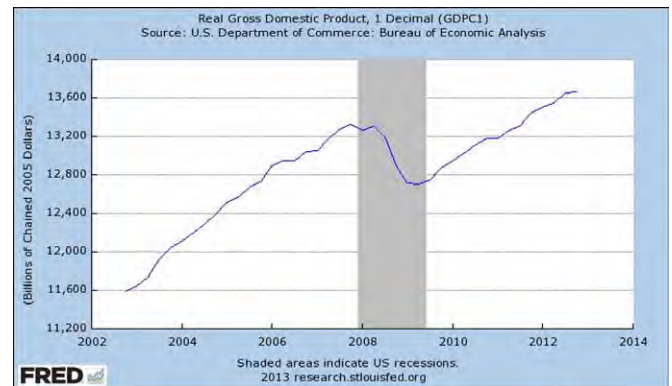


Fig. 3. US Employment

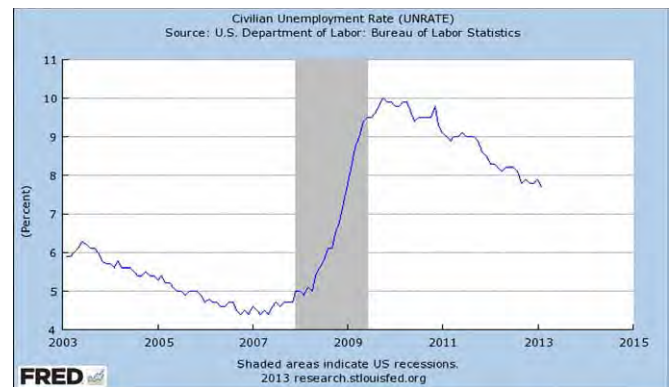


Fig. 4. US Unemployment Rate

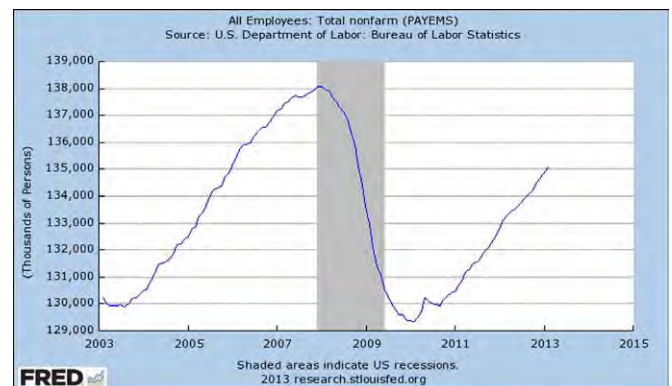
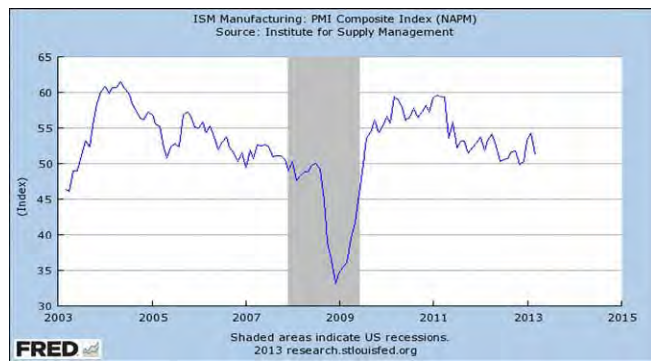


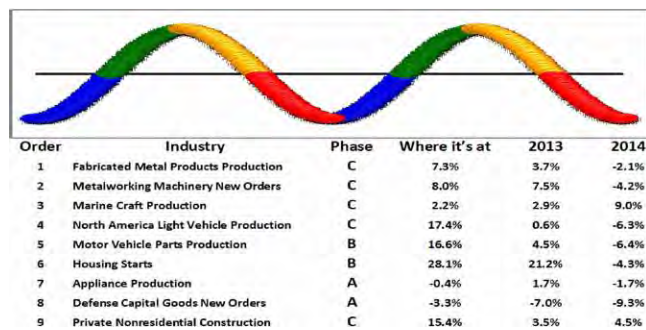
Fig. 5 Purchasing Managers Index



2. Economic Condition

Next, we will take a look at the ITR economic report released in February 2013 (Fig. 6). "Phase A" means there are signs of recovery in the business cycle, in which time the businesses will be told to increase inventory and sales staff because good times are coming. "Phase B" means growth is occurring, in which time businesses are told to continuously increase inventory, and business condition is booming. This is a good time for everything in business. "Phase C" means growth has stopped rising, but is still above business levels of last year. At that point of time, we were told to begin reducing our workforce and inventory to deal with the coming recession. "Phase D" means business levels are below last year and this is the time of recession. According to the report, 2014 is not going to be a good year for the US. In 2013, we expect to continue to grow in the beginning half of the year. The growth will start to die down towards the end of the year, and we will be in recession in 2014. However, it will probably not be a big recession.

Fig. 6. Business Cycle



If we take a deep look at the Fabricated Metal Products Production Industry (Fig. 7), hardware is one of the strongest performing sections in this sector. It gains 16.6% in 2012. However, spring and wire products fell 6.3% in 2012. This is one sector where we may see increases coming up soon. As for the Metalworking Machinery New Orders Industry (Fig. 8), new orders are still at 3% month over year around the fiscal cliff negotiation, but there should be a rebound with new orders coming up soon. Regarding the Marine Craft Production Industry (Fig. 9), over the next few years there will be strong ship building activities in the US. Regarding the Light Vehicle Production Industry (Fig. 10), the good days are over, and the markets will level off through 2013. As a result, the demand for auto parts will be parse and falling in the coming 6 months. Regarding the Housing Starts (Fig. 11.), this has been an awful market in the US. The number is

being driven up now because more public buildings are being built in the US. People cannot get credit to buy a house. They don't have money for down payment, so more people are living in apartments. Most people in the US live in small houses, but apartment is really becoming the reality for a lot of our population. However, we are also seeing that as the economy recovers, many young people who had lived at home for the last five years are moving out. Therefore, the demand for housing will go up. The housing issues are likely to be over, but it will definitely not be like it was a decade ago. Appliance Production (Fig. 12) follows housing, and once the housing market crashes, appliance production crashes as well. Major appliances fell 2.3% over the year, but small appliances such as fans and vacuum cleaners rose 5.8 % in 2012. Defense Capital Goods New Orders (Fig. 13) are goods ordered by the military or other countries that form military assistance programs. It has been a very good decade for the military production in the US, but a whole host of factors including budget cuts on the defense side will cause major uncertainty in this area. There was a major increase at the end of 2012 (as shown in the chart) which was due to the fact that everyone has to spend all their money before January 1st, and you will see it trending down in the next couple of years. Private Nonresidential Construction (Fig. 14) is new buildings for businesses and additions for existing businesses. This is a long path of recovery, but we have risen for 19 straight months and will grow through 2014.

Fig. 7. Fabricated Metal Products Production

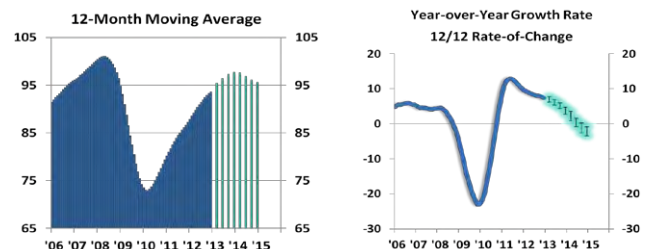


Fig. 8. Metalworking Machinery New Orders

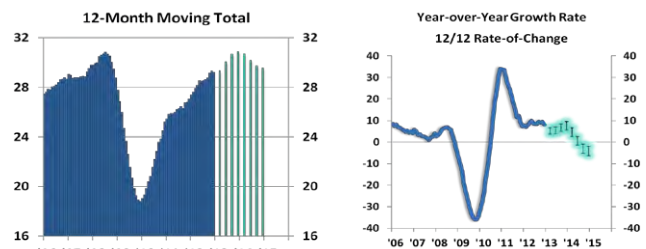


Fig. 9. Marine Craft Production

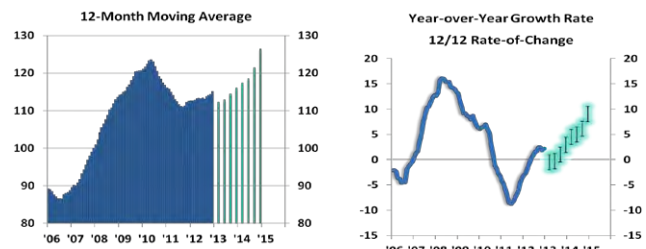


Fig. 10. North America Light Vehicle Production

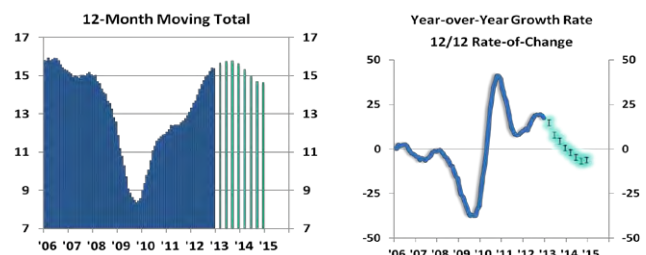


Fig. 11. Housing Starts

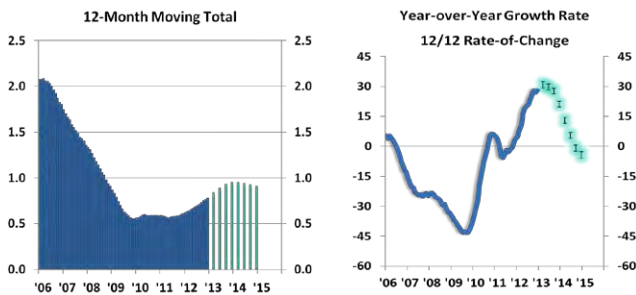


Fig. 12. Appliance Production

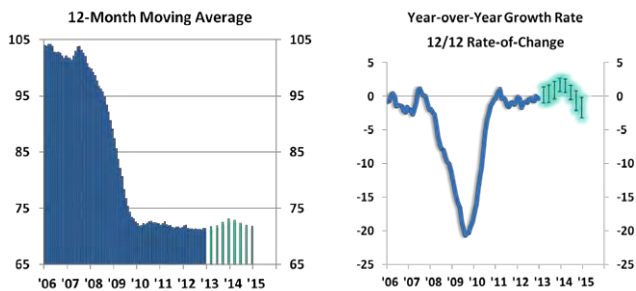


Fig. 13. Defense Capital Goods New Orders

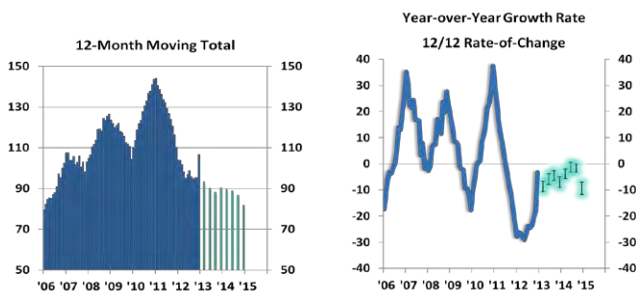
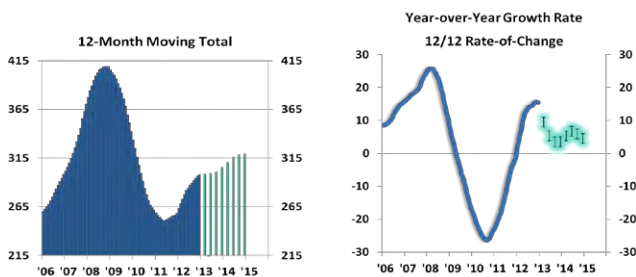


Fig. 14. Private Nonresidential Construction



3. ITR Projection

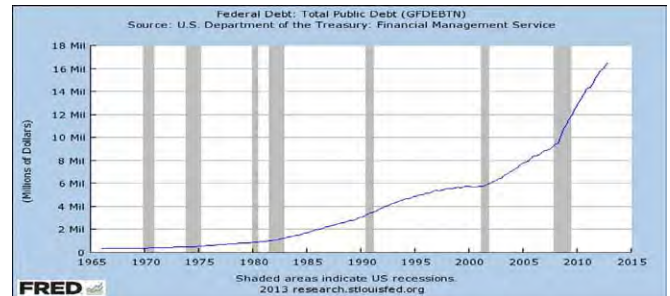
The Leading Indicators are pointing towards slower growth in the second half of 2013. Businesses should set budget reduction goals by department and begin formulating a plan to handle recessionary activity expected in 2014. Projection for the next coming years will be as follows: (1) For 2013, ongoing recovery flattens; recession begins. (2) Recession in 2014. (3) Growth from 2015 through 2017.

4. Other US Economic Issues

(1) US Federal Budget

The US public debts now are USD16 trillion, with over 100% of GDP (Fig. 15). The US recognizes that this is a problem but has not been able to identify a solution. We are dealing with major budget issues that will impact the economy over the next few years.

Fig. 15. Federal Budget



Political Budget Process is arranged as follows:

A. Fiscal Cliff Deal (January 2013)

Income tax rates rise for those earning \$450,000 increased from 35% to 39.5%.

Payroll tax increased by 2%.

Capital gains and dividend tax rates rise from 15% to 20%.

\$600 billion in revenue over 10 years.

B. Sequestration Deal August 2011

86 Billion (Half Domestic / Half Defense) in Cuts which took place on March 1, 2013.

C. Debt Ceiling

16.4 Trillion

May 18, 2013

(2) US Monetary Policy

Everyone is borrowing a lot of money because the Federal Reserve Bank has kept interest rates historically well. Consumers are borrowing money to buy things by 3% to 4%, and businesses have a lot of money to spend and borrow. However, the main thing that it has caused is acquisition. Everyone is trying to take his or her money and find a place to invest in. We are definitely an acquisition market in the US. Every day in NFDA, more of our members have been bought out. This is a trend that will continue as the industry consolidates. Unfortunately, the monetary policy is definitely going to lead to large inflation, and that is what we in NFDA are working on to deal with.

Fig. 16. US Monetary Policy





The Blooming Season for Europe is Yet to Return

After the financial crisis, the U.S. put up QE1 and QE2 (Quantitative Easing) policy to foster national economy, which formed a financial environment that apparently affects Europe.

After 2008, global economic situation has become harder and harder. Facing the increasing interest rates in countries such as Greece, Spain, and Italy, the Euro on the brink of collapse, and many European countries in danger of going bankrupt, European Central Bank (ECB)

How does Taiwan Fastener Industry Adapt to the Era of Post Eurozone Crisis? Speaker: Wayne Sung, Manager of NUK Advanced Business Incubation Center

arranged by Serena Hsiao, Fastener World Inc.

finally announced an unlimited amount of bond buying from struggling Euro zone in September 2012, thus reducing the probability of liquidity crisis in countries such as Spain and Italy. Subsequently, the German Constitutional Court has decided to support Eurozone's permanent bailout fund, or the European Stability Mechanism (ESM). In response to this, top administrators of EU expressed that there won't be any economic relief if they don't save themselves. Accordingly, we could see the Eurozone Debt Crisis fade out gradually in Q3 and Q4 of last year.

However, economy and politics are inter-related. In the Italian congress re-election in February 2013, all major political alliances could not take over half of Senate seats, resulting in difficult policy implementation, government collapse, deteriorating economic environment, and worsening financial situation of medium and small corporations. In addition, German corporations are worried that the deadlocking Cyprus Relief could deepen the Eurozone Debt Crisis; France may encounter stagnant economy due to increasing tax rate and unemployment rate; PMI also dropped as a result.

The U.S. took on QE1 and QE2 policy after the financial crisis, while Europe entered the state of austerity to lower government expenditure and minimize deficit. As we look at the status quo, The European public's anti-sentiment towards the interests released by the government has caused economic dilemma in Italy after the election. Meanwhile, France refused to enlarge the extent of budget cut. As we can see, although Europe seems rather stabilized after September 2012, the austerity policy is yet to gain effective solution as of now.

"Made in USA" will Become More and More Prevalent

The US has used the quantitative easing policy to cope with the global financial storm. In QE1 and QE2, the Fed printed US\$ 2.3 trillion of money. In QE3 and QE4, the Fed purchased US\$ 85 billion of bonds in each month. The quantitative easing policy has produced a positive effect on the US economy, as evident by the fact that Dow Jones hit an all-time high, 14,000 points, in the beginning of April, 2013. This figure indicates that the US economy has fully recovered to its vibrant condition before the global financial storm.

In March of 2013, the US government announced National Export Initiative (NEI), in which the US intends to boost its export figure from US\$ 1.57 trillion to 3.14 trillion within five years through revitalizing manufacturing sector so as to stimulate its economic growth and generate more jobs. A good way to solve its problem of structural unemployment caused by the global financial storm is to encourage oversea American manufacturers and factories to return to the US and increase their investment and employment rate in the US.

As of now, the concept and slogan of "made in USA" has become more and more prevalent. Either the government policy or the slogan of "100% America-made houses", which was voiced by the civilian sector, indicates sales of America-made products will pick up continuously. Why do manufacturers return to the US? One factor was that advanced technology and automation may reduce the amount of manpower to a minimal level. Another factor would be the preferential tax policy. According to Sageworks, the fastest growing industry in the US in 2012 was the category of "machinery factories, machined products and manufacturers of screws, nuts and bolts", exhibiting a big growth of 19%, indicative of bigger demand for fasteners in 2012.

Table 1 Export statistics of Taiwan screw products in 2012

2012	Weight (kg)		Value (USD)		Unit Price (USD/kg)	
	Weight	YOY	Value	YOY	Unit Price	YOY
Total	1,379,474,083	-2.99	3,788,678,402	-4.40	2.754	-1.45

Table 2 Export statistics of China screw products in 2012

2012	Weight (kg)		Value (USD)		Unit Price (USD/kg)	
	Weight	YOY	Value	YOY	Unit Price	YOY
Total	3,494,998,663	-1.65	5,970,535,260	-0.64	1.708	1.03

Japan has been Under a Tremendous Amount of Pressure to Change

Japan has exhibited long-term sluggishness in export after its “lost decade”. Moreover, the March 11 quake detrimentally devastated its eastern coastal region. After the quake, Japan shut down several of its nuclear power plants and hence its demand for imported energy has skyrocketed, driving its trade deficit to reach 6.9 trillion yens or US\$ 78.4 billion.

Abe, the head of Liberal Democratic Party, formed a new government at the end of 2012. Abe’s government takes a tougher stand on the territorial dispute over Takeshima and the Diaoyu Islands and intends to improve its deflationary condition (up from 1% to 2%) and print money so as to stimulate its economy. As a direct result, Japanese yen has depreciated. In addition, Japan intends to use 101 trillion yens to purchase assets; also, it will use 13 trillion yens per month to purchase assets in 2014 and subsequent years – until its inflation rate reaches 2%. Furthermore, after the president of Bank of Japan took office in April of 2013, he announced: the bank will pour 132 trillion yens in its stock market. As of now, the current account of Japan has returned to the black.

China will be Stripped of Its Title of "The Factory of the World"

China has replaced Japan to become the second biggest economy of the world since 2010. Chinese economy has exhibited a double-digit growth in the 30-year period before 2010. Though its economy has a growth less than 8% in the past two years (9.2% and 7.8% in 2011 and 2012, respectively), such growths are still quite high. Problems that China has to face are different from those of the US and Europe: its domestic market is relatively weak; in particular, though the Chinese government has used different measures to suppress the price hike in the real estate market, effectiveness of these measures is quite limited. As of now, China is facing the following problems that have been caused by excessive growths in credit loans in the past: real estate bubble, overproduction, the increase in non-performing rate of bank assets and the risk in the finance of the local governments.

China Macroeconomic Outlook, a quarterly periodical based in Hong Kong, indicated the following according to the data released by National Audit Office of China: till the end of 2010, the amount of debts of level-three governments of China reached RMB 10.7 trillion; total amount of debts in the civilian sector in China reached RMB 4 trillion; total amount of debts of the so-called “shadow banks” reached RMB 3.87 trillion. Therefore, the risk in the finance of China is in the ball park of RMB 20 trillion. A few years ago, China started to enforce its minimum wage requirement as stipulated in its Labor Law. Therefore, erecting a factory in China has become less favorable though it still is the most populous country in the world and it still possesses a large consumer market. Its title as “the factory of the world” is likely to be stripped and taken over by the seven countries of the ASEAN.

Business Opportunities Posed for the Fastener Industry of Taiwan

From Table 1 and 2, we can see that the unit price of fasteners exported from Taiwan in 2012 plummeted by 1.45% as compared to 2011; in contrast, the unit price of fasteners exported from China in 2012 grew by 1.03% as compared to 2011. This means that the gap between Taiwan and China has become narrower. Nevertheless, because of the anti-dumping taxes imposed by EU on fasteners exported from China and the territorial dispute over the Diaoyu Islands between China and Japan, fasteners made in Taiwan have a competitive advantage over fasteners made in China, Europe, and Japan. Therefore, I suggest fastener manufacturers in Taiwan grasp the business opportunity posed by the Japanese automobile market and focus on high quality markets.

Finally, I propose four principles for the future advancement of Taiwan fastener industry:

1. Adopt “procedure simplification” in response to the “high value and low price” market demands. The benefits are reducing time and cargo transport effectively, and complete “automation” as well as “precision” of production machinery. Besides lifting capacity and reducing variant costs, you can elevate product quality of Taiwan fasteners in all aspects, minimize product deviation, bring in new concepts of quality management, and create irreplaceable “high value and low price” products.
2. The “localization” trend does not only affect the United States. Nations of high unemployment rate should localize their industries to reduce unemployment rate. In light of the rise of “localization” in western countries, I suggest Taiwan fastener industry considered setting up post-processing (such as surface treatment, electroplating, and packaging) plants and implement automatic production devices. This will decrease production costs effectively in consistence with requirements of “localization” in western countries, and then sell local brands in cooperation with their agencies as a new cooperative production pattern. This will create new cooperative production pattern for Taiwan fastener industry.
3. Corporations will face new requirements for environmental protection. In 2006 Europe put out restrictions on hexavalent chromium, during which time many companies changed their material into trivalent chromium. Although currently is still free from restriction, corporations are advised to develop chromium-free products as quickly as possible to take on the initiative before the next wave of restriction regulations.
4. “Judgment”, and “daring resolutions” for “survival strength”. A few years ago, Taiwan government initiated an energy-saving project. For example, Taiwan Semiconductor Manufacturing Co., Ltd. saved 90% on water bills after adopting the project. Therefore, efficiently utilizing the energy-saving plans to reduce costs will provide more competitiveness against components when inquiring for an invoice.

Small Screws with an Enormous Market

Fasteners, also known as “the rice of the industrial sector”, are basic components for machinery for a wide spectrum of applications. Fasteners are used and seen everywhere. As shown in Table 1, during the past 10 years between 2000 and 2010, capacity of China’s fasteners rose by 3.1 times, and its sales value grew by 4.8 times. Regarding export, during the same period the total export volume jumped by 4.3 times to 2.23 million tons, and the export value rose from USD 492 million to USD 3.46 billion, up by 7.04 times.

In 2012, the fastener industry in China was stricken by a series of adversity such as inflation, deflation, macroeconomic regulation and control, low-running economy, and Eurozone Crisis. All industries faced the biggest challenge over the last 10 years. Statistics in Table 2 shows the slowdown of the growth of China fastener industry.

China Fastener Industry, Big but not Strong

China economy develops at a steady pace. Its GDP grows on an annual speed of over 9%, prompting domestic demand for fasteners to maintain a growth of around 10%. Its annual demand lands on 4.5 to 5 million tons per year. In addition, the swift growth of China steel industry provides powerful base for the development of fastener industry. According to statistics, China annually produces 700 million tons of steel, 100 million tons of wires, and 10 million tons of cold-forged

Table 1. China’s 10-year Growth Change from 2000-2010

	2010	2000
Fastener Capacity (10 thousand tons)	620	200
Fastener Sales Value (100 million RMB)	600	125
Total Export Volume (10 thousand tons)	223.95	52.08
Total Export Value (100 million USD)	34.62	4.92



The Present and Future of China Fasteners

Speaker: China Fastener Industry Association President Mr. Feng Jinyao

arranged by Dean Tseng, Fastener World Inc.

steel wires. Meanwhile, 30 and more steel plants with all sorts of steel products to satisfy the industry demand are located all around the nation.

However, generally speaking, China fastener industry is big but not strong enough, and the reasons are: (1) Companies are small and scattered, so there is not enough concentration and consolidation, (2) Product quality is relatively lower with low technology and added values, and (3) Production and technological level of China fastener industry is lower and China has a long way to go to close the gap with advanced countries.

Developing Trend of China Fastener Industry

China fastener industry has quickly evolved through the last 10 years and right now it enters the stage of steady growth. However, its growth is turning slow, and a critical time has come for it to transform. Therefore, it must deepen its revolutions, persist on technological innovation, speed up structural adjustment, and march on the path of “Bigger, Stronger & More Sophistication”.

1. To develop an economy of steady growth of around 5 to 10%, stressing on quality and efficiency.
2. To persist on technological innovation and technical advancement: China will enhance the construction of

Table 2. Condition of China Fastener Industry in 2012

	2012	2011
Total Capacity (10 thousand tons)	660	680
Total Sales Value (100 million RMB)	650	660
Total Export Volume (10 thousand tons)	246.4	258.92
Total Export Value (100 million USD)	46.64	45.12
Total Import Volume (10 thousand tons)	25.15	26.4
Total Import Value (100 million USD)	28.7	29.38



fastener industry service platform to integrate traditional fastener industry with innovative technology, IT, and Internet. The goal is to upgrade core technology, critical basic techniques, and all-industry level. This will be elaborated in the following three aspects:

- I. The government will seize opportunities for developing automobile, new energy, high-speed railway, and aerospace industry. In terms of R&D in heat resistant, corrosion resistant, high-toughness, anti-fatigue, and titanium alloy fasteners, we will strive for breakthroughs in material adoption, forming techniques, heat treatment, as well as surface treatment, and provide packaged service for critical constructions such as automobile generators, nuclear power, wind power, high-speed railway, and airplane.
 - II. China's corporations will walk on the trend of self-innovation to greatly develop IT and high-tech applications, including interactive cold-forge machinery and online auto inspection equipment. Also, we will further expand product scale, varietize parts compatibility, add efficiency to production process, automatize product inspection, and consolidate manufacturing service.
 - III. We will develop new techniques, new technology, and new materials to integrate with warm forging, heading, and extruding, and then combine with IT and the Internet to extend fastener application to mechanical components.
 - IV. We should develop eco-friendly technology and foster low-carbon economic development in all industries, which is to regulate industry energy consumption, improve treatment of three wastes (gas, water, and industrial residues), promote green plating technology, and apply hot-rolled high strength steel.
3. To speed up product structural adjustment: It means the industry will transform "from low intensity to high

intensity", "from standard parts to non-standard parts", and "from low added value to high added value". Thus, China fastener industry should focus on composite screws, composite parts, stainless steel fasteners, IT micro-screws, self-locking fasteners, titanium alloy fasteners, automobile fasteners, and fasteners processed by surface treatment and chemical coatings, all of which should continuously elevate level and standard of all-industry products. Currently, China fastener industry has set up a goal to make heat treatment products take 70%, and products of grade 9.8 (and above) take 20-25%, of total products.

4. To accurately handle and adjust market structure: China will transform from an export oriented country to a domestic demand oriented one, returning its starting point to domestic markets, and foster growth of fastener industry through sectors including automobile, new energy, high-speed railway, city transportation, electronic device, aerospace, shipping, and preliminary construction.

In addition, China will reduce export proportion to 30-40% from 40-50%, and increase import to 60-70% from 50-60%. It will particularly seize chances for industrialization, agriculture modernization, urbanization, and informatization. In the next 10 years, urbanization will speed up and attract RMB 40 trillion investment, which will definitely bring enormous business opportunity to China fastener industry.

5. To properly adjust strategic plans: China fastener industry should develop satellite cities that surround and base on conglomerated steel corporations, and should move plants from coastal areas to mid and western area. Furthermore, it should put more emphasis on sourcing and cultivation of human resources, and enhance academic cooperation with vocational high schools, universities, and science research centers to maintain proper growth for China fastener industry.

Last but not the least, in-depth exchange between China and Taiwan, as well as the ongoing ECFA effect, will propel economic development of China and Taiwan, in the meantime bringing profits for both sides. Therefore, all of us should grasp the chance to utilize our own advantages, and further intensify cooperation and exchange between fastener industries of both sides to achieve mutual benefits and mutual victory. ■

