

Predicaments for Taiwan Fastener Industry

by the Editorial Dept. of Fastener World Inc.

Recently I read an article written by president Yen of THREAD INDUSTRIAL published in the monthly magazine of Taiwan Industrial Fasteners Institute, in which Mr. Yen shared his feeling about “awkward customers” and lashed out about the predicaments faced by Taiwan fastener industry, which impressed me a lot. On the left is the excerpt from the article.

The aforementioned bold commentary is just what the industry is thinking currently. In terms of awkward customers, Fastener World Magazine once acted as a mediator for several Taiwanese companies in disputes. **We also welcome your article submission regarding similar disputes and let's stand together to boycott unworthy awkward customers.**

Meanwhile, we also have opinions to share with professionals in the industry.

1. Taiwanese companies are facing the low-price competition from Southeast Asia and China. The key point is “wire price.” Usually, if the wire price represents 25%-50% of the total cost, it will generate the biggest competitiveness. It is commonly known that wire used in Southeastern factories are oftentimes sourced from China, and their products



Reflections on Dominant Upstream and Downstream

Lawrence Yen (president of Thread Industrial Co., Ltd.)

Let's think about the situations when we apply for loans from banks, we must have guarantees and mortgages, and then think further about how customers' delayed payments are going on in the industry? The bad debts even burst out in the well-known H&T. We are in the supply chain where we need to bear more risks, so I believe, if such info can be freely circulated in the industry or published in monthly publications, which describes what's happening and delayed payments, we can boycott them together and those buyers may restrain themselves from going over too much.

Speaking of our material suppliers, letters of credit at sight or cash must be issued or paid for every delivery of goods, purchase, or agreed condition, otherwise, no steel plant will supply products. However, when there show signs of recovery in the market, suppliers are always the first to increase prices, limit volume, postpone rolling, to name a few. On the flipside, when prices of materials are increasing, we have to offer customers discounts to offset the increase; when the economy turn down, awkward customers ask for immediate price reduction, even though orders are undelivered yet or in shipments, otherwise, they will not pick up the delivery or will delay payments. If you are placed in the same situation, can your material suppliers accept rejected delivery or requests for price reduction? Although the free choice for suppliers is a trend of the global economy, the authorities should provide assistance to the industry in widening the portfolio of suppliers, supplying materials at the right time, and offering chances to buy cheap but high quality products.

exporting to Europe can enjoy the tax-free benefits, posing a threat to Taiwan fastener industry. In contrast, Taiwanese companies purchase materials from CSC (Wire from CSC compared to those from China increased the total cost by 10% -30%), so the prices offered by Taiwanese companies have been left nearly no margin for further adjustment.



2. Under the Economic Cooperation Framework Agreement (ECFA) promoted by Taiwanese Government, the Cross-Straits Service Trade Agreement has been signed and the next will be Cross-Straits Goods Trade Agreement. If everything goes fine, the agreement will be signed by 2014. After that, over 200 steel products (including fasteners, of course) will be tax free for both sides. Taiwan Industrial Fasteners Institute said that the current fastener import tax of China is higher than that of Taiwan and China is a big market full of business opportunities, so if the taxes can be reduced to zero, it'll be a good thing for Taiwan fastener industry. However, the zero tax rate may also result in many sequelae. If Taiwan is used as the re-export base of China, making the EU impose antidumping duties against Taiwan, the initial benefits brought by the relocation of orders from China to Taiwan will be useless. As a result, the government should prepare precautionary measures in case the EU may propose another new antidumping case against Taiwan. We suggest related companies figure out prevention measures before it becomes a catastrophe.

3. In order to achieve lower cost and evade from the antidumping duties imposed by the EU, many Taiwanese companies went to Southeast Asia to set up plants for entering the local markets, which is actually not a bad idea. But please bear in mind that the European Commission has started the investigation on the circumvention via Southeast Asia. If it proves to be true, Taiwan is very likely to be influenced by the antidumping case.

Taiwan is a very good place for fastener manufacturing due to integrated clusters, years of techniques, and favorable electricity cost. If the wire coils with more stable and favorable prices can be introduced into the supply chain, a better future for Taiwan fastener industry can definitely be expected. ■

