

What Would be the Next Step for the Fastener Industry?

by Fastener World

Time flies really fast. In recent years the low-price fasteners supplied by companies in Southeast Asia and China featuring low labor cost and mass production have swept the global market and the 1st place in fastener export has been also taken by China. Facing such challenges, TFTA Chairman Anchor T. H. Chang encourages companies to turn to the development of higher quality and value-added products (e.g., medium to high end products) to avoid competition from Chinese low-end products. Considering the aftermath of the recent termination of EU's antidumping measure against certain Chinese iron and steel fasteners and the fluctuations of wire rods prices in China and Taiwan, we would like to share our views on these issues and hope that some worries of fastener companies would not eventually become big problems.

Friendship and Partnership Are Very Important in the Fastener Industry

Not long ago, a fastener supplier once complained to me that he did not have a "real" friend in the fastener industry and he didn't even have a friend in the industry that could share everything with him. In fact, there are many associations and similar institutes in Taiwan, which irregularly give events (e.g., golf outings, socials, domestic/foreign tours) for consolidating fellowship among their members. In addition, other governmental organizations such as Ministry of Science and Technology (Taiwan) and Industrial Technology Research Institute (ITRI) oftentimes work with private companies or academies with a myriad of resources to give training sessions, seminars, or technology release event, which are all good ways to expand the social network.

"Gather all possible resources before achieving the final goal." For example, if you are a trader, you could cooperate with manufacturers, wire suppliers, electroplaters, and surface treatment providers to avoid competition with those doing the same trade with you. Through this way you could get a clearer picture of the entire supply chain of fastener manufacturing and discover more business opportunities. In this era when the integral competitiveness and the integration of resources are considered very critical, every company should be open-minded at all times and should not follow out-of-date rules. Otherwise, it will definitely be left behind.

Protectionism Keeping Non-domestic Companies from Exhibiting is Prevalent in Many Countries

Trade protectionism, namely, is an approach to protecting local manufacturing and preventing it from foreign competition by imposing very high tariffs or limiting/reducing the maximum amount on certain imported products. Such protectionism is also very common in the fastener industry. Many Taiwanese companies recently complained about the limited quota of stands foreign show organizers could offer to Taiwanese exhibitors and they considered it the obvious proof of protectionism.

A recent fastener tradeshow to be given in Europe, for example, does not offer any stand to Taiwanese and Chinese exhibitors. This may be understandable from local manufacturers' perspectives, but may be unfair to local end-users or importers, as they cannot get access to good quality products with lower prices, which is contradictory to the idea of global free trade. The use of the Internet has been quite popular these days and there exist many marketing approaches, so it'd be better to re-examine the advantages and disadvantages of protectionism (i.e., If it is better to do it, then do it, and vice versa), or else some companies may get benefits, while some others may suffer injury.

When Export Faces Unfavorable Conditions, Can New Taiwanese Dollar (NTD) Retain High Exchange Rate?

The weak global demand caused impact on all countries. China, Korea, Singapore, Japan, and other Asian countries all revealed declining performance in export. The import/export statistics of Taiwan also showed the 15th consecutive month of decline in April, breaking the record of 14 consecutive months of decline during the financial crisis. Then, according to the import/export statistics of Taiwan for May released by Ministry of Finance (Taiwan) in June, it showed the 16th consecutive month of decline, breaking the record of the longest negative growth in Taiwan's export again.

We saw the currency depreciation in Asian countries (e.g., Korea, Japan, Thailand, India, and Singapore) and also saw the depreciation of euros, rubles, and currencies of Latin American countries (by even 30-40%). However, the rate of NTD continues to be at a high level as the authorities would like to stabilize prices of commodities. I travelled to Myanmar, Indonesia, Japan, and China over the past few months and found that Taiwan's products with high C/P ratios, environment, and service can still compete with its counterparts. In my opinion, if the rate of NTD cannot be lowered as soon as possible, it will be impossible to see the growth of Taiwan's export.

China Steel Corp. (CSC) Being a Very Critical Factor?

The fluctuations of wire prices are always what fastener companies concern about the most. Facing the price-cutting competition from Chinese steels, CSC should not say that it is state-owned when asked to fulfil its social responsibility, but say that it is privately owned when asked to share its earnings. In my opinion, CSC can refer to policies of CPC Corp. or Taipower to establish a floating price mechanism and should be aware of the fluctuations of Chinese steel prices, in order to be a role the industry can rely on. As a result, domestic fastener companies will feel safe in doing business on one hand, and CSC will become a real “50% state-owned, 50% privately-owned” company on another hand. One fastener supplier noted, “CSC reported profit every past year and we never heard of its loss. Its business running policy is to make ends meet, so it is very difficult for it to make a sudden profit surge within a very short time.” In the long term, capable fastener plants cannot help but relocate to other countries.



Fastener Companies Must Try Their Best to Survive the Market Recession

The fastener business of Taiwan in the first 5 months of 2016 dropped by 5%. This “5%” is not that bad compared to many other countries around the world. Over the past 5 years, the fastener business of Taiwan was increasing year after year due to EU’s antidumping measure against China. Nowadays, even though the measure against China has been terminated and the global economy is in a recession, Taiwan’s fastener business only showed a slight decline, showing strong competitiveness and corporate structure of Taiwanese companies. However, Taiwanese government should notice the fact that Taiwanese companies did not generate high profit as they did not transfer the cost of increasing steel prices and differences of exchange rates for NTD to customers. Fastener industries in many countries are almost for domestic demand, but Taiwanese fastener industry is mainly for export. As a result, Taiwanese fastener industry should learn to offer inexpensive products with high quality, adjust production to the most appropriate level, reinforce quality management, and improve techniques, in order to survive the global competition. With unfavorable conditions and fastener companies in China, Malaysia, Latin America, Turkey, and India shortening their distance from leading market players, products that are inexpensive and durable have become the main focus of the current fastener industry. Even customers from advanced Europe, USA, and Japan have similar product demand. If Taiwan cannot create more favorable conditions, how can Taiwanese fastener suppliers compete with counterparts from other countries? Over the past years Taiwanese government did provide many resources to Taiwanese companies, but there seemed not to be many successful results in the end. Therefore, Taiwanese government should be quick to figure out effective ways integrating the entire supply chain and introduce the support from the government and the academics, or else Taiwan’s export will become worse.

Another supplier noted in one interview that he held a pessimistic view to the recovery of Taiwanese fastener industry and said that until next June it wouldn’t be possible for Taiwanese fastener industry to recover to the level 3 years ago. Taiwan had enjoyed the benefits brought by EU’s antidumping measure against China for 7 years. During these years, Chinese suppliers were forced to gain their orders from USA and other countries, resulting in price-cutting war between Chinese and Taiwanese suppliers in these countries. It is quite easy for Chinese suppliers to return to Europe as the standards required by the European market are the same as those required in China (which means that they can sell products returned by European customers directly in China). This will definitely cause challenges to Taiwan. In addition to China, Southeast Asian countries (especially Vietnam, Thailand, and India) will be also our biggest competitors. The challenges will be really tough for sure. ■