According to a report, up until April 2013, PMI in Eurozone has been hovering below 50% for 21 consecutive months, signifying the region's manufacturing industry in the downswing for 21 months. What is worse, the PMI in April showed more decline than that of the previous month. With the weak euros and purchase orders, it is an on-going trend to tap into the emerging markets.

Possibilities of BRICs

A Brand New World is Emerging

by Serena Hsiao, Fastener World Inc.

Table 1. Comparison of 2012 Taiwan and China Exports to BRICs

Country / Category	China						Taiwan					
	Weight		Price		Average Price		Weight		Price		Average Price	
	MT	YOY	USD	YOY	USD/kg	YOY	MT	YOY	USD	YOY	USD/kg	YOY
Russia	205,525.3	-6.85	293,201,560	-7.81	1.427	-1.03	23,242.2	-21.68	51,281,614	-17.63	2.206	-5.14
United Arab Emirates	108,728.0	3.42	151,3,990	-2.44	1.392	-5.67	3,715.5	-19.24	12,565,960	-20.33	3.382	-1.34
Saudi Arabia	85,851.7	6.49	119,235,922	2.08	1.389	-4.15	10,323.3	30.97	23,841,286	34.13	2.309	2.39
India	78,251.2	-2.49	143,520,694	7.18	1.834	9.92	7,759.5	-0.67	23,718,664	1.68	3.057	2.38
Malaysia	71,974.4	-8.98	113,798,761	-11.56	1.581	-2.83	6,127.8	-6.16	20,005,760	-9.45	3.265	-3.49
Brazil	71,284.8	-17.31	120,966,984	-12.65	1.697	5.63	15,003.1	-7.95	40,508,393	-14.43	2.670	-8.06
Indonesia	69,815.3	-4.71	95,977,055	-1.06	1.375	3.83	7,601.7	1.05	22,191,753	-4.73	2.920	-5.72
Thailand	67,147.6	-10.98	118,131,401	-6.56	1.759	4.96	21,887.3	35.324	65,603,592	34.43	2.997	-0.70
South Africa	49,191.4	-9.95	77,185,271	-6.94	1.569	3.35	5,644.8	17.970	18,334,986	21.40	3.248	2.92
Mexico	48,727.6	15.18	89,503,354	12.31	1.837	-2.50	17,723.2	10.576	49,374,532	16.92	2.786	5.73
Global	**3,494,998.7**	**-1.65**	**5,970,535,260**	**-0.64**	**1.708**	**1.03**	**1,278,585.2**	**-5.132**	**3,586,618,369**	**-5.82**	**2.805**	**-0.70**

The 2012 export volume and value of China-made screw products totaled 3.49 million tons and USD 5.9 billion, with the average price at USD 1.7 dollars per kilogram. Taiwan exported 1.27 million tons (USD 3.6 billion) at an average price of USD 2.8 per kilogram. Taiwan's capacity is around 36% of China's, and it is clear that China owns the biggest advantage of low-priced products. When just enough quality is reached to guarantee product usability, price will cut in to become the first determining factor.

When it comes to exporting to emerging nations, China is the most competitive in terms of its product price. Taiwan has to look into the gap with China, especially in terms of the production cost. The reason that Taiwan cannot outrun China's low-priced products lies in the different costs to obtain materials. Taiwan's materials come from China Steel Corp. that offers better protection. On the other side, China's steel plants are private corporations that are more often to see fluctuating earnings but more prone to lack of material. However, recently the excessive capacity of China wires has caused the price to drop continuously and the cost to fluctuate at over 30%. Unless China Steel Corp. comes up with a special price for supply, Taiwanese companies will go on a bumpy path of price competition. The decreasing purchase orders represent the loss of clients.

In addition, regarding the export in 2012, in order to reduce the loss caused by anti-dumping and anti-subsidy measures, China is dispersing the market with all its might. No matter if there is entrepot trade or not, data shows that the impact is slightly limited. Therefore, Taiwanese corporations are advised to take the opportunity to tap into the emerging markets and grab more purchase orders. Below is a brief introduction of BRICs:

Product requirement is less tight than that of Europe and the US with more difficulty in price breakthrough:

The BRICs have fewer requirements on product quality and put more focus on product prices. Taiwan companies that are used to orders from Europe and US should make adjustments between prices and quality to fetch the perfect balance.

Higher local content rate:

Emerging nations in **Table 1** have elevated the rates of local content in recent years. Those nations have become the largest market for machinery with the help of government support and less technical requirement. Besides, a few companies are not only makers but also importers; therefore, they can import in huge volumes during currency appreciation, and self-manufacture during depreciation.

Increasing protection tax in BRICs:

By additional tax increases, many emerging nations enhance their price competitiveness, reduce product import, protect domestic factories, sustain the industry, and increase employment rate.

Difference in credibility and payment habit:

Generally, small and medium enterprises have less working capital funds and thus debt investments are a very common scene. Financial leverages are widely manipulated in the region. When the economic condition is good, everyone rejoices. Once the condition fluctuates, it is not at all strange to see overdue payments. In addition, installment plans are often a primary contract condition in Latin America. No business is free from risks. Taiwanese companies should be cautious and utilize the art of negotiation with Latin America.

Localization:

Many European and American enterprises turn to set up local auto plants because they can sell directly to target markets and emerging nations which offer low labor costs. Companies including Volkswagen, Honda, GM, Mazda, Fiat, Daimler, and Nissan all established plants in Mexico and sold products to Latin American and North American markets. Meanwhile, auto plants' orders will stimulate demand for high quality fasteners and foster the production of fastener equipment. Right now, there are very few Taiwanese companies that set local plants in BRICs. Taiwanese companies should be the pioneer so that they can probe into local markets for first-hand trend, make more convenience to collect payments, and obtain orders from neighboring countries via the local plants.

Knowing their sales culture:

Developing countries generally lack adequate funds, and it is normal to see over 10% of interests on bank loans. Local importers are not willing to fall into the vicious circle of low profits, and they often do the stable business of "do less & earn more". If Taiwanese companies want to get into this market, they should pay close attention to those importers' culture.

Multilingualism:

Apart from Brazil that uses Portuguese, other nations in Latin America use Spanish. To enter the Latin American markets, Taiwanese companies are advised to employ English and Spanish speakers to develop in the region. After all, One must have good tools in order to do a good job.

Taiwan is far located from Latin America, and both regions have very different ethnicity. Do not make abrupt appearance to the doors of Latin America if you have no appropriate plans. Besides, the China government has already plunged into the emerging markets through diplomatic relations. You can easily see China-made fasteners in the Middle East, Africa, and South America, so it is undeniable that China has made better achievement in this region. Where there is population, there is the demand for fasteners. Taiwan should grasp the chance to enter emerging nations as soon as possible.