



Tariff Pressure: How U.S. Trade Policies Are Reshaping China's Fastener Export Strategy

关税压力：美国贸易政策如何重塑中国紧固件出口策略

Introduction

Over the past two decades, the global economic landscape has undergone a dramatic transformation. At the heart of this change stands the shifting balance of power between two economic giants: the United States and China. Since the early 2000s, China has risen from a low-cost manufacturing hub to the world's second-largest economy, expanding its influence through massive infrastructure investments, technological development, and global trade initiatives such as the Belt and Road Initiative. Meanwhile, the United States has maintained its position as the world's leading economy, driving innovation, financial dominance, and global consumer markets.

The turning point came with the presidency of Donald Trump. In a sharp departure from previous administrations, Trump launched a full-scale tariff war against China, accusing Beijing of unfair trade practices and economic aggression. This marked the beginning of a new era — one where tariffs, sanctions, and economic nationalism would become the tools of a broader geopolitical contest.

I. U.S.-China Tariff Conflict: A Primer

The origin of trade conflicts can be traced back to 2018, when the Trump administration launched Section 301 investigations accusing China of unfair trade practices, intellectual property theft, and forced technology transfers. In response, a sweeping set of tariffs were introduced, affecting more than USD 550 billion worth of Chinese goods, including fasteners.

The U.S. imposed tariffs on a broad range of Chinese fasteners including steel screws, hex bolts, self-tapping screws, washers, and structural fasteners. According to the data from the U.S. International Trade Commission (USITC), the value of Chinese fastener imports dropped by 31% between 2018 and 2021, a dramatic signal of disruption in the trade flow.

The Chinese government responded with its own retaliatory tariffs, but for fastener exporters, the pain was already acute. China accounted for more than 23.5% of all U.S. fastener imports in 2017, a dominance that began to shrink post-2018. In 2024, China accounted for 19% of all U.S. fastener imports.

II. Operational Response: Restructuring for Survival

1. Capacity Relocation

To offset the direct impact of U.S. tariffs, many Chinese fastener companies began offshoring production to Southeast Asian countries. Nations like Vietnam, Malaysia, and Thailand have seen a surge in investment from Chinese firms eager to maintain U.S. market access.

According to the China Fastener Association (CFA), more than 15% of tier-one fastener manufacturers in Guangdong and Zhejiang provinces have moved partial operations offshore since 2019. This trend, known as "transnational rerouting," has allowed exporters to re-label their products under countries not targeted by U.S. tariffs.

However, during the second term of the Trump administration, the U.S. government responded to this rerouting tactic by significantly increasing tariffs on several Southeast Asian countries suspected of serving as intermediaries for Chinese goods. By expanding the scope of trade enforcement and tightening rules of origin, the administration aimed to close loopholes exploited through transnational rerouting. This **policy escalation pressured Chinese manufacturers to explore even more complex offshore strategies or shift focus to non-U.S. markets.**

2. Smart Manufacturing and Automation

Firms that couldn't relocate turned inward—streamlining operations and investing in automation. Automation upgrades in fastener production plants help reduce labor costs, partially compensating for lost export revenue.

Automation also improves product consistency and reduces delivery delays—key elements when competing globally. A growing number of Chinese companies are integrating robotic arms, CNC machinery, and AI-based defect detection into their lines.

3. Supply Chain Compression

By reducing dependence on third-party raw material suppliers and adopting vertical integration, companies are lowering internal cost structures. **The integration of steel processing, galvanizing, and packaging within one facility is becoming increasingly common among top players.**

III. Pricing Strategies: Between a “Margin” and a Hard Place

1. The Price War Dilemma

To remain price competitive in the U.S. despite tariffs, exporters have slashed their margins. Data from the China Chamber of Commerce for Import and Export of Machinery and Electronic Products (CCCME) shows that average gross margins in the fastener export industry have fallen from 12% to 6% since 2019.

Some exporters have been absorbing a portion of the tariffs themselves to maintain long-standing relationships with U.S. buyers. For example, Hangzhou-based Tianbao Fasteners reportedly subsidized tariff costs in major B2B deals, a move that helped retain contracts but led to sharp declines in net profits.

In 2025, the situation worsened with the introduction of a new wave of sweeping U.S. tariffs targeting a broader range of industrial goods, including fasteners, under the revived "America First Trade Reinforcement Act." These punitive tariffs, which in some cases doubled previous rates, pushed many Chinese exporters into an impossible cost squeeze. **Already operating on thin margins, firms were forced to either exit the U.S. market or dramatically restructure their pricing and supply chains.** The industry now faces a pivotal moment, with some companies turning to higher-value products or alternative markets in Europe and Latin America to survive.

2. Product Segmentation and Tiered Pricing

As price competition intensifies and profit margins shrink, **Chinese manufacturers are shifting focus from pure cost strategies to long-term brand development. Rather than solely segmenting by price, leading companies are investing in brand identity and positioning** to overcome the persistent global perception that "Made in China" equates to cheap and low-quality products.

This strategic pivot involves creating differentiated product lines—basic, mid-tier, and premium—not just by functionality, but by brand promise, reliability, and perceived value. In critical industries such as automotive and aerospace, where trust and certification matter, strong branding allows manufacturers to justify higher prices and reduce the risk of substitution. However, building a credible brand takes time, consistency, and significant marketing investment—something many Chinese firms are only now beginning to prioritize.

IV. Production Strategy: Reinventing the Fastener Factory

1. Innovation and Product Complexity

Exporters are transitioning from mass-producing low-value fasteners to developing custom, high-precision fasteners with higher barriers to entry. This strategic pivot reduces exposure to price-based competition and adds stickiness to client relationships.

For instance, manufacturers that have launched a series of corrosion-resistant, heat-treated titanium bolts for aerospace clients, doubling their average selling price per unit from USD 0.06 to USD 0.14 between 2020 and 2023.



2. Environmental Compliance and Sustainability

In addition to tariffs, U.S. importers are increasingly demanding ESG (Environmental, Social, and Governance) compliance. Factories with carbon footprints or poor waste disposal standards risk being blacklisted.

Leading exporters are investing in zinc-free coatings, water treatment systems, and ISO 14001 certifications to align with buyer expectations. This "green compliance" not only preserves access to high-paying Western markets, but may eventually become a competitive differentiator.

V. Market Diversification: The Rise of Non-U.S. Exports

1. Europe and "Belt & Road" Countries

To hedge against U.S. dependence, Chinese fastener exports to Europe and "Belt & Road" countries have expanded rapidly. From 2019 to 2024, fastener exports to the EU rose by 50%. This growth is partly aided by the China-Europe Railway Express, which reduces transport time from 45 days by sea to 15 days by rail, boosting the attractiveness of Chinese fasteners in European markets. Exports to Asia increased over 52% between 2019 to 2024.

2. Domestic Consumption and Dual Circulation

As part of China's broader "dual circulation" strategy, policymakers are pushing manufacturers to balance export revenue with growing domestic consumption. Infrastructure spending and urbanization projects are fuelling domestic demand for fasteners in construction and transportation sectors.

In 2024, China's domestic demand for industrial fasteners grew by 11%, and local government subsidies further incentivized homegrown sourcing, reducing reliance on volatile foreign markets.



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Conclusion

The U.S. tariffs on Chinese fasteners represent more than just a tax—they've catalyzed a transformation. **Exporters who once thrived on volume and cost advantage are now focused on agility, value creation, and market agility. From shifting manufacturing bases to reengineering product lines and embracing automation, China's fastener industry is in the midst of a profound strategic evolution.**

The Future of Chinese Fastener Exports: Three Scenarios

1. Recovery and Rebalancing

In this optimistic scenario, tariff negotiations ease under a new administration, and Chinese fastener makers regain part of their lost U.S. market share. Innovation and diversification continue, but trade normalization gives companies breathing space.

2. Strategic Retreat from the U.S.

In this scenario, Chinese companies reduce U.S. focus permanently, treating it as a high-risk, low-margin market. Investment shifts to the EU, Africa, and South America, with partial reshoring to ASEAN as a buffer.

3. Global Consolidation

The most aggressive future includes consolidation within the Chinese fastener industry, with smaller players being acquired or driven out. The survivors will be larger, vertically integrated, and export-agnostic powerhouses. ■

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