

2013 Major Fastener Issues

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The fastener industry is one of the major sources of trade surplus in Taiwan. The export value of the industry in 2007 hit USD3.3 billion for the first time and created a new record of USD3.4 billion in 2010. The statistics show that the global fastener export value in 2012 amounted to USD28.8 billion while the top 10 export countries took up 75% of the value and Taiwan was in the 3rd place with stable growth in the market. Despite that the technical level and production in Asia-Pacific continue to rise, the production and R&D of high-end fasteners are still concentrated in North America and Europe where the operators import standard fasteners mostly from Asia, creating an increasingly clear division of labors among Europe, North America, and Asia. However, Chinese manufacturers have been shortening the gap with makers in the advanced countries through investment and accumulation of production experience. Additionally, the Chinese automobile industry has shown rapid growth as the auto production reached 19.27 million units in 2012, equaling the total of the U.S. and Japan and greatly demonstrating its market competitiveness.

The radical climate changes and rapid population growth will also boost the demand for construction and structural fasteners. Meanwhile, high-strength plastic fasteners are gradually replacing the aluminum and ferrous fasteners used in aircrafts and the use of automotive electronic systems is also increasing, showing a trend of traditional metal fasteners giving way to the ones made of plastic and compound materials.

Based on the trends listed above and the major events affecting the global fastener industry, the Editorial Department summarized six points as follows:

1

New European Construction Products Regulations Are in Force

The new construction products regulations (CPR) decreed by the EU on July 1, 2013 has been enforced and re-

placed the former construction products directives (CPD). CPR applies to all building materials including fasteners.

In addition to the original restrictions on construction product makers, the new regulations impose mandatory requirements on the aspects related to the distribution of products of traders, importers and distributors. Not only do the regulations require the CE (European Economic Area safety mark) labeling on construction products circulating in the European market and complying with the harmonized standards, but they also provide stricter requirements on the environmental sustainability and players of distribution (traders, importers and distributors).

Apparently, the enforcement of CPR will trigger a new challenge for the construction products manufacturers, processors and traders who export products to the EU.

2 Emerging Trade Protectionism with Antidumping Taxes

Since Feb. 1, 2009, the EU has begun to impose a 5-year antidumping tax of 26.5%-85% on Chinese fasteners. As China is the biggest competitor of Taiwan fastener industry, Taiwanese manufacturers have been much benefited by the imposition of antidumping taxes with a substantial increase in export.

The EU review conducted on Oct. 10, 2012 shows that the tax rates in general have dropped from 85% to 74.15%. In addition, the tax rate for another 96 operators has dropped from 78.1% to 54.1% for their cooperation with the investigation. The antidumping taxes on Chinese products will expire in the beginning of 2014 and the EU will decide whether to continue with the antidumping taxes for another 5 years. The decision will have a great impact on Taiwanese operators.

Dumping charges against Taiwanese and Chinese manufacturers are tabled as follows:

The table below shows little change made by the EU on the new import model of Chinese steel fasteners. The decision made in 2009 has caused the orders to shift to Taiwan and other areas of Asia. Despite the lowering of tax rates will offset the tax-included price gap, there has been no sign of strong motives on the part of importers to shift orders back to Chinese makers.



Taiwan			
Category	Initiation of Investigation	Type of Investigation	Result of Investigation
Carbon steel screws to Canada	09.24.2009	Price review (without sampling)	Announced on 03.24.2010 by CBSA *Period of investigation (POI): 04.01.2009-09.30.2009 *Tax rate: Normal price for 23 companies Normal price×170% for non-cooperative companies
	To be conducted in 2013	Price review	--
	To be conducted in 2014	Sunset review	--
Stainless steel screws to the EU	04.28.2004	Preliminary investigation (China, Indonesia, Taiwan, Malaysia, the Philippines, Thailand and Vietnam)	Announced on 11.20.2005 -Arrow Fasteners 15.2%; -Jin Shing Stainless 8.8%; -Min Hwei Enterprise 16.1%; -Tong Hwei Enterprise 16.1%; -Yi Tai Shen 11.4%; -Cooperating exporting producers not included in the sample 15.8%; -All other companies 23.6%.
	01.07.2012	Sunset review (China, Taiwan)	Extend for another 5 years
	06.06.2013	Medium term review (China, Taiwan)	Ongoing.

In order to circumvent the antidumping taxes imposed by the EU. Chinese manufacturers exported their steel fasteners to EU via Malaysia and this has caused the EU to conduct the investigation on circumvention. The result published on Mar. 12, 2013 shows that only 8 manufacturers are exempt from the counter-circumvention taxes while the rest of the makers (including those who did not respond and were not cooperative) are subject to a counter circumvention tax of 85%.

Meanwhile, under a difficult situation for Chinese steel industry, the antidumping investigations on Chinese makers are increasing. Since 2013, Chinese steel exports have encountered at least 9 antidumping investigations launched by USA, Australia, Canada and the EU. Products involved were various steel products like seamless steel pipes and hot-rolled steel.

The frequent steel trade disputes have much to do with the steel export scale of China. In 2012, China exported 55.73 million tons of steel, an increase of 14% over 2011. However, frequent antidumping investigations will greatly inhibit the steel export of China. Once the antidumping measures are taken, the export cost will increase for Chinese exporters and undermine their low-price advantage.

The antidumping and protective measures on fasteners launched by various countries are outlined below:

- ◆ 05.07.2013-The EU imposed antidumping tax at 32.1% on Indian stainless steel wires.
- ◆ 08.09.2013-The U.S. made the preliminary antidumping determination on Indian and Thai steel threaded rods.
- ◆ 08.15.2013-Taiwan levied provisional antidumping taxes up to 46.02% on Chinese and Korean steel products.

- ◆ 08.29.2013-Thailand disclosed the initial determination on the antidumping investigation on the imported high-carbon steel rods and Chinese products were levied anti-dumping taxes ranging from 16.14% to 33.98%.

- ◆ 09.06.2013-The U.S. conducted a sunset review on carbon steel rods imported from Brazil, Indonesia, Moldova, Trinidad and Tobago and Ukraine.

- ◆ 09.11.2013-Canada Border Services Agency (CBSA) launched the antidumping investigation on certain hot-rolled carbon steel plates and high-strength low-alloy steel plates from Brazil, Taiwan, Denmark, Indonesia, Italy, Japan and Korea.

With the prevalence of antidumping tariff barriers, the fastener industry is considering a breakaway from the low-price competition and has begun to look for new bases to expand production or set up new plants.

3 Fasteners Causing Safety Concerns

Regardless of the tiny size, fasteners play a key role in serving as connection points for different objects. Therefore, they are an indication of the business requirements on quality as the small details reveal the big picture. Fastener-related accidents happened this year are listed below:

- ◆ 10.26.2012-Nissan recalled 13,900 Atima cars in the U.S. due to a bolt-ing issue.
- ◆ 10.29.2012-Bolt loosening led to collapse of tunnel ceilings in Japan.
- ◆ 02.05.2013-GM recalled 12,000 units of cars in the U.S. due to screw and air bag concerns.
- ◆ 05.06.2013-U.S. government inspected Boeing 737 for improper fastener installation in tail wings.
- ◆ 05.22.2013-Breakdown of an ANA Boeing 787 recurred due to screw loosening in the switchboard.

- ◆ 05.28.2013-GM recalled 27,000 Cadillac cars due to wheel nut loosening caused by inadequate torque.
- ◆ 05.28.2013-Nissan recalled 840,000 vehicles globally due to concerns on incorrect tightening of wheel bolts.
- ◆ 07.09.2013-Hong Kong public hospitals stopped using gamma scanners in fear of screw loosening.
- ◆ 07.31.2013-NISSAN recalled 13,000 Versa Note cars in North America due to a bolting issue.
- ◆ 08.26.2013-Toyota recalled 26,830 Tacoma cars in Canada due to the potential risk of fastener loosening.
- ◆ 09.23.2013-Leaking polluted water from Fukushima nuclear power plant might have been caused by loosened bolts.

4 Prevalence of Free Trade Agreements for Zero Tariff Products Circulation Within Certain Countries

The free trade agreements negotiated and signed among European and North American countries in recent years are based on the principle of “zero tariff”. The economic cooperation agreement between New Zealand and Taiwan (ANZTEC) was signed in July 2013. The current New Zealand tax rate for steel products including screws and nuts is 5% and is expected to drop to zero after the agreement. However, according to the Bureau of Foreign Trade, the fastener export from Taiwan to New Zealand in 2012 was 3,285.6 tons and amounted to US\$13.458 million, taking up less than 1% of the total export of Taiwan.

China			
Country	Initiation of ADD	Product	Result of ADD
EU (27 countries)	02.01.2009	Steel fasteners	The EU published the 924/2012 regulations on Oct.10, 2012 and revised the 91/2009 regulations formulated previously for levying the antidumping taxes on certain steel fasteners from China. The tax rate was reduced from 85% to 74.1%. For the 90 cooperating exporters, the tax rate was lowered from 77.5% to 54.1%. The tax rates were also revised for another 8 companies, which were investigated as individual cases. In addition, Bulten Fasteners (China) Ltd was exempt from the tax.
	01.05.2012	Stainless steel and accessories	-Tengzhou Tenda Stainless Steel 11.4%, -Tong Ming Enterprise (Jiaxing) 12.2%, -All other companies 27.4%.
USA	11.03.2011	Helical spring lock washers	Dumping margin for respondent companies was 6.96% and dumping margin for non-respondent companies was 128.63%.
	11.9.2012	Steel threaded rods	On May 9, 2012, U.S. Department of Commerce made the final determination. Jiaxing Brothers Standard, IFI & Morgan, RMB Fasteners, and Zhejiang New Oriental Fasteners were subject to the tax of 20.05%. All other Chinese exporters were subject to 206.00%. On Sept.13, 2013, U.S. Department of Commerce canceled the administrative review on 7 Chinese steel threaded rod makers incl. Gem Year, Haiyan Julong Standard Part, Jiashan Zhongsheng Metal Products, Jiaxing Xinyue Standard Parts, Suntec Industries, CPI, and Shanhai Prime Machinery.
Mexico	08.02.2010	Carbon steel nuts	64%.
Canada	09.23.2011	Carbon steel and stainless steel fasteners (excluding dry wall screws)	The tax ranges from 3.46% to 170%. 6 Chinese companies were confirmed with normal values. They were Gem-Year, JC Grand (China), Jiaxing Jianfeng Hardware, Robertson (Jiaxing) and Tapoo Metal Product (Shanghai); the normal values of other companies were confirmed after being increased by 170%.
South Africa	05.2011	Steel bolts and nuts	55.4%-122.7%.
Colombia	03.10.2009	Carbon steel and alloy screws	If the declared FOB price was lower than 1.31 dollar/kg, the antidumping tax would be the difference between the declared FOB price and 1.31 dollar/kg.
Russia	03.12.2011	Imported steel fasteners	11.6%, 282.4 dollars/ton.
Turkey	07.16.2012	Screws, nuts, bolts, washers, rivets, pins, split pins and other products	If products are over 2 tons, the tax will be levied based on the average monitored price per ton. The monitored CIF price ranges from 4000-4500 dollars/ton.

Even though the economic cooperation agreement between Taiwan and New Zealand has little impact on Taiwan fastener industry, it marks the first economic cooperation agreement signed with a country with which Taiwan has no diplomatic tie. The subsequent effects can be remarkable. By way of ANZTEC, Taiwan can beef up its efforts in the negotiation with European and North American countries for the signing of FTA which will benefit the export for the fastener industry.

On the other hand, how should the fastener industry view the Economic Cooperation Framework Agreement (ECFA) between Taiwan and China and seize the free trade opportunity? The Cross-Straits Agreement on Trade in Services has been signed, and the Cross-Straits Agreement on Trade in Goods will come in the next. As more than 200 steel products are traded with zero tariff, the zero-tax fasteners trade across the Straits can be expected.

Given the large fastener market in China, the zero-tariff trade is expected to increase the fastener export of Taiwan. However, Taiwanese operators may get themselves involved in the price cutting war if they choose to compete with local Chinese makers relying on low-price products, excessive steel production and cheap raw materials. To expand the market in China, Taiwan fastener industry must work on the development of high-end products.

The most noteworthy issue is that when Taiwan opens the market to Chinese fasteners, if certain companies use Taiwan as a re-export base of Chinese fasteners to Europe and if the evidences are found by the EU, Taiwan will face the counter-circumvention tax equal to the antidumping duty the EU levied on China, which definitely will cause great influence to Taiwan.

5 Where Will the Future Be with Emerging Markets?

Under the influence of European debt crisis and uncertain US financial conditions, the optimism about the future of

emerging markets lies in the tremendous purchase power. In 2013, the GDP of emerging countries came close to 50% of the global total amount and the figure continues to rise. The Economist chief editor predicted that the GDP of the emerging countries would reach 80% of the global total amount in the next 40 years, and 50% will come from the emerging Asian countries, among which, China will take 20% equal to the total of North America and Western European developed countries. This forecast points that the emerging countries will play a leading role in the future in the global economic stage and Asia will be a region where the spotlight is cast.

In view of international cash flows, foreign investments have been withdrawn from the emerging countries to a large degree, causing the unease in the markets and economic fluctuations. Except for China (which has the relatively stable economic performance), BRICs countries including Russia, Brazil, and India indeed shine less than their economic performance before.

In contrast, the emerging economies in Southeast Asia have become economically attractive for several reasons. First, the growing middle class has brought about certain advantages for the local population to become the main powerhouse to boost domestic demand. Second, most southeastern countries seem fundamentally good in terms of their economic and financial status, which creates flexibility for establishing policies. Third, the cooperation of economies within ASEAN countries has facilitated the integration of the capital market and realization of relevant mutual-benefit economic agreements, generating remarkable coordination. Fourth, the reconstruction projects after the floods in Thailand and the infrastructure upgrade within ASEAN countries have served as the incentives for local and foreign investors.

With a population of over 600 million, the combined GDP of all ASEAN countries has surpassed India. Plus, the region is rich in natural resources and

has plenty of young labors, ASEAN countries are gradually replacing China to become the world's best production base and domestic consumption market. Take the steel market for example, Southeast Asia has become the world's fastest-growing region for consumption. Huge demand for steel imports in the region and the lack of local large steel plants have attracted steel operators from Taiwan, Japan and Korea to set up large steel mills for seizing the business opportunities in Southeast Asia.

6

Continuous Focus on Automotive Fasteners

According to a German financial media, the global automotive market will maintain a strong growth momentum in the next 10 years, but the pace of growth may vary from region to region. The report forecasts that the car sales in China will double by 2019 and reach 27.7 million units, almost equal to the total of the U.S. and Western Europe.

The car sale in European market (EU + EFTA countries) in 2012 was 12.1 million units and will reach 14.9 million units in 2019. The U.S. car sales will grow from 15.4 million units to 16.7 million units during the same period. Considering the increase of global car sales, the growth of auto fasteners will maintain its momentum in 2014. ■

Notes

For a deeper insight into related issues, please refer to the analyses by the experts below:

Issue 4. — P. 244: The Impact of Global Regional Economic Integration on Taiwan Fastener Industry, by Wayne Sung, Doctoral Program, College of Management, I-Shou University

Issue 6 — P. 253: Global Automotive Sales and Production During Q1-Q3 2013, by Chen-Chun Lin and Sheng-Chieh Chang, Metal Industries Research and Development Center (MIRDC)