

Taiwan's Strategic Significance Among Neighboring Countries in Fastener Trade

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Since 2011, OEM for motor vehicles has become the largest market for industrial fasteners. That is the time when multiple economic entities around the globe relieved from the economic crisis of 2009, coupled with the growing industry for production of durable products, and skyrocketing old and new parts sales deriving from the demand of infrastructure. The rise in parts sales is mostly contributed by fasteners. According to the Freedonia Group's research, the global industrial fastener sale is growing at a 5.2% annual increment, and it will land at USD 82.9 billion by 2016. Particularly, Asian demand for fasteners is expected to reach a new high record with its 7.4% annual average growth rate, mostly deriving from China and India where fastener demand is enormous.

Graph 1 illustrates the statistics of fastener export of Taiwan during 2008-2013. In 2009, the global financial crisis led to worldwide industrial downturn, and Taiwanese fastener industry was one of the victims. As almost all countries suffered the same situation in 2009, I will not refer to figures recorded in the year. This article will have a further look into Taiwanese trade figures under HS Code 7318 and analyze its international competence in the fastener industry among neighboring countries.

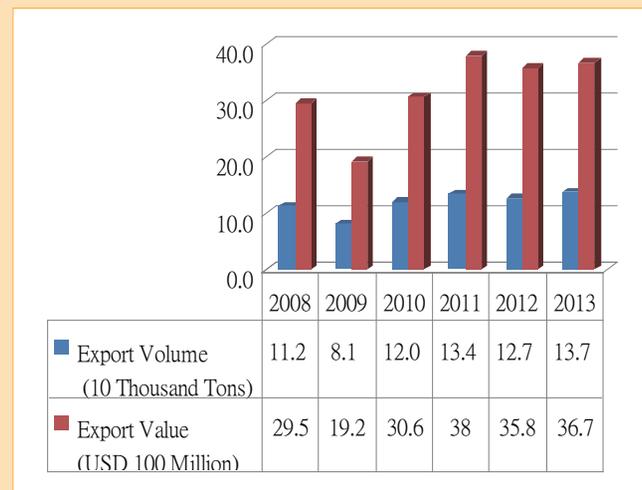
Fastener Industry Performances of Taiwan & Neighboring Countries in Brief

Taiwanese fastener capacity accounts for 1/6 of global totals, the 2nd largest in the world, only second to China. Its export value landed at over USD 3.5 billion within 3 consecutive years from 2011, placing Taiwan among top 3 fastener exporting countries. In 2013, U.S. was the top destination for Taiwanese fastener export by a 39.56% proportion, followed by Germany (8.84%), Japan (5.29%), Netherlands (5.27%), and UK (3.77%). In the same year, Top 10 origins of US fastener import included 6 countries from Asia, including Taiwan, China, Japan, South Korea, India, and Thailand in the ranking. Accordingly, the U.S. is the top fastener export destination for Taiwan, and Taiwan is the top fastener import origin for the US. The other 5 Asian countries, also the competitors to Taiwan, will be the main focus for discussion in this article.

According to world customs statistics, in the ranking of 2013 Asian fastener export performance, Taiwan exported record-high 1.37 million tons of fasteners valued at USD 3.67 billion, taking the 2nd place behind China. In the same year, China exported 2.55 million tons at USD 4.6 billion; Japan exported 349 thousand tons at USD 2.95 billion; India exported 250 thousand tons at USD 740 million; South Korea exported 156 thousand tons at USD 670 million; Thailand exported 140 thousand tons at USD 460 million; Malaysia exported 120 thousand tons at USD 460 million; Indonesia exported 16 thousand tons at USD 70 million. See Table 1.

In Terms of Industrial Scale, Top 3 Fastener Suppliers are China, Taiwan, and Japan

If we look at the industrial scale, China, Taiwan, and Japan are no doubt at the top of fastener export not just in Asia, but also in the whole world. In fact, we should also pay attention to India in the 4th place for its 5% annual growth rate in 3 consecutive years and its average export price which is more competitive than that of Taiwan.



Graph 1. Taiwanese Fastener Export During 2008-2013

Source: Bureau of Foreign Trade

Table 1. 2013 Pan-Asia Fastener Export Performance Ranking

Rank	Country	Export Volume (KG)	Export Value (USD)	Average Price (USD/KG)	Rank of Average Price
1	China	2,558,489,621	4,606,991,268	1.80	8
2	Taiwan	1,371,098,506	3,679,741,858	2.68	6
3	Japan	349,540,000	2,955,733,070	8.45	1
4	India	252,574,927	743,184,182	2.94	5
5	South Korea	156,914,000	674,807,000	4.30	3
6	Thailand	140,714,342	462,621,521	3.28	4
7	Malaysia	125,477,024	336,129,047	2.67	7
8	Indonesia	16,284,565	78,868,946	4.84	2

Source : World customs statistics

Note: This ranking is for reference and does not list all Asian countries that supply fasteners.

In Terms of Average Price, China, Malaysia, and Taiwan Become the Last 3

Unfortunately, the strong industrial scale is not reflected on the average export price. Average prices for China, Malaysia, and Taiwan are ranked in the last 3 places, whereas Japan tops the ranking coupled with strong export volume and becomes the most competitive fastener export country in Asia. Indonesia and Thailand both have notable average prices of USD4.8/kg and USD3.2/kg respectively. Perhaps this is because both countries benefit from incoming international automotive makers, or because both countries have equipped technical abilities to produce fasteners with high average prices. Whichever it may be, both are likely to become the most potential countries in Asia despite their relatively small industrial scale at the current time.

Fastener Trade Between Taiwan & Other Asian Countries

Table 2 & 3 are statistics of Taiwanese fastener trade with other Asian countries as well as with global regions.

Trade Surplus Proves Taiwanese Competence in Fastener Export

Taiwan shows strong trade surplus in its fastener export to both Asia and the global market. It generates USD 3.5 billion of foreign exchange reserve in the global fastener market, with USD 500 million in Asia alone. If we look at Taiwanese trade with other Asian countries, we can tell that Asia has strong demand for fasteners from Taiwan which is also attractive to global fastener procuring agents.

Table 2. 2013 Statistics of Taiwanese Fastener Export to Asia and the World

Rank	Country	Export Value (USD)	Proportion (%)	Export Volume (KG)	Average Price (Unit: USD/KG)
---	{Asia}	634,783,658	100.00	183,506,394	3.459
1	Japan	229,134,466	36.09	74,876,154	3.06
2	China	112,548,024	17.73	20,943,273	5.374
3	Thailand	61,596,054	9.70	21,664,034	2.843
4	Singapore	44,357,695	6.98	9,267,356	4.786
5	Vietnam	38,449,062	6.05	14,057,463	2.735
6	Hong Kong	32,543,547	5.12	3,612,459	9.009
7	Indonesia	24,936,625	3.92	9,257,622	2.694
8	India	23,013,507	3.62	8,466,717	2.718
9	Malaysia	22,377,304	3.52	6,974,186	3.209
10	Philippines	21,175,413	3.33	6,008,102	3.524
11	South Korea	20,626,515	3.24	7,037,158	2.931
1	North America	1,434,243,489	38.97	554,707,997	2.586
2	Europe	1,285,620,921	34.93	514,422,189	2.499
3	Asia	634,783,658	17.25	183,506,394	3.459
4	Middle & Near East	88,117,088	2.39	37,482,565	2.351
5	Australasia	81,482,049	2.21	23,677,876	3.441
6	South America	66,267,265	1.80	24,606,488	2.693
7	Central America	64,395,901	1.75	24,333,701	2.646
8	Africa	24,817,751	0.67	8,361,131	2.968
9	Other	13,736	0.00	165	83.248
Total		3,679,741,858	100	1,371,098,506	2.684

Source: Bureau of Foreign Trade (Taiwan)

Note: This table lists 11 out of 21 countries for Asia ranking.

Table 3. 2013 Statistics of Taiwanese Fastener Import from Asia and the World

Rank	Country	Import Value (USD)	Proportion (%)	Import Volume (KG)	Average Price (Unit: USD/KG)
--	{Asia}	93,003,825	100	15,926,401	5.84
1	Japan	69,224,787	74.43	7,301,245	9.481
2	China	5,863,854	6.30	2,421,181	2.422
3	Vietnam	4,324,313	4.65	2,788,369	1.551
4	South Korea	3,840,343	4.12	332,039	11.566
5	Philippines	3,719,982	4.00	1,163,976	3.196
6	Thailand	2,973,934	3.19	1,644,181	1.809
7	Singapore	1,491,515	1.60	68,828	21.67
8	Malaysia	930,179	1.00	96,305	9.659
9	India	289,153	0.31	60,857	4.751
10	Hong Kong	207,794	0.22	25,679	8.092
1	Asia	93,003,825	67.15	15,926,401	5.84
2	Europe	23,681,965	17.02	1,621,089	14.609
3	North America	19,634,627	14.11	587,718	33.408
4	Central America	840,683	0.67	150,747	5.577
5	Other	457,646	0.33	37,066	12.347
6	Australasia	382,423	0.26	72,484	5.276
7	South America	358,897	0.29	4,522	79.367
8	Middle & Near East	191,123	0.18	20,318	9.407
9	Africa	2,629	0.00	881	2.984
Total		138,553,818	100	18,421,226	7.521

Source: Bureau of Foreign Trade (Taiwan)

Note: This table lists 10 out of 16 countries for Asia ranking.

Average Import & Export Unit Price

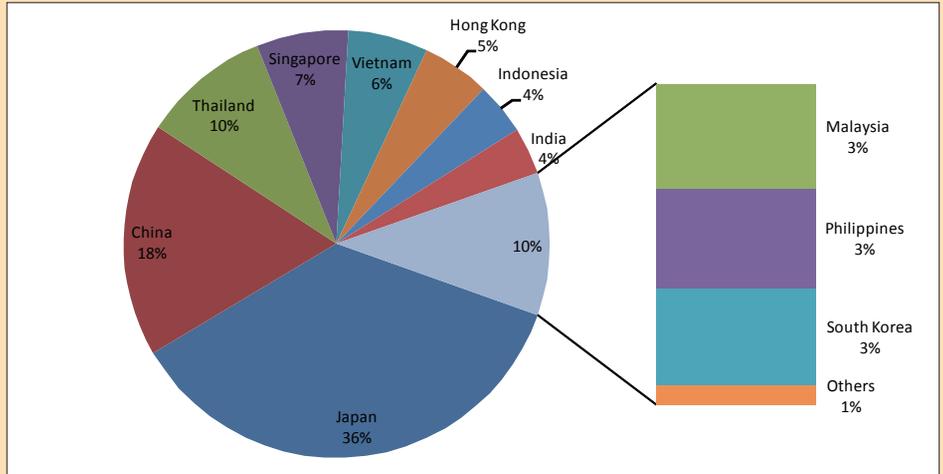
In this paragraph I will analyze 5 competing Asian countries: China, Japan, South Korea, India, and Thailand. To separately compare the difference between the import and export prices with each mentioned country, Taiwan, Japan, South Korea, and India exported at a comparative low unit price and imported at a high unit price [e.g. The unit price of fasteners Taiwan exported to Japan in 2013 was USD3.06/KG while that of Taiwanese fastener import from Japan in the same year was USD9.48/KG]. In contrast, Taiwan exported to China and Thailand at a comparatively high unit price and imported at low unit price [e.g. The unit price of fasteners in 2013 was USD5.374/KG while that of Taiwanese fastener import from China in the same year was USD2.422/KG]. Among these countries, Taiwan's fastener export and import with South Korea had the largest unit price deficit by "-8.635", and had the largest unit price surplus with China by "2.952".

Taiwan Shows Close Fastener Trading Relationships with Japan & China

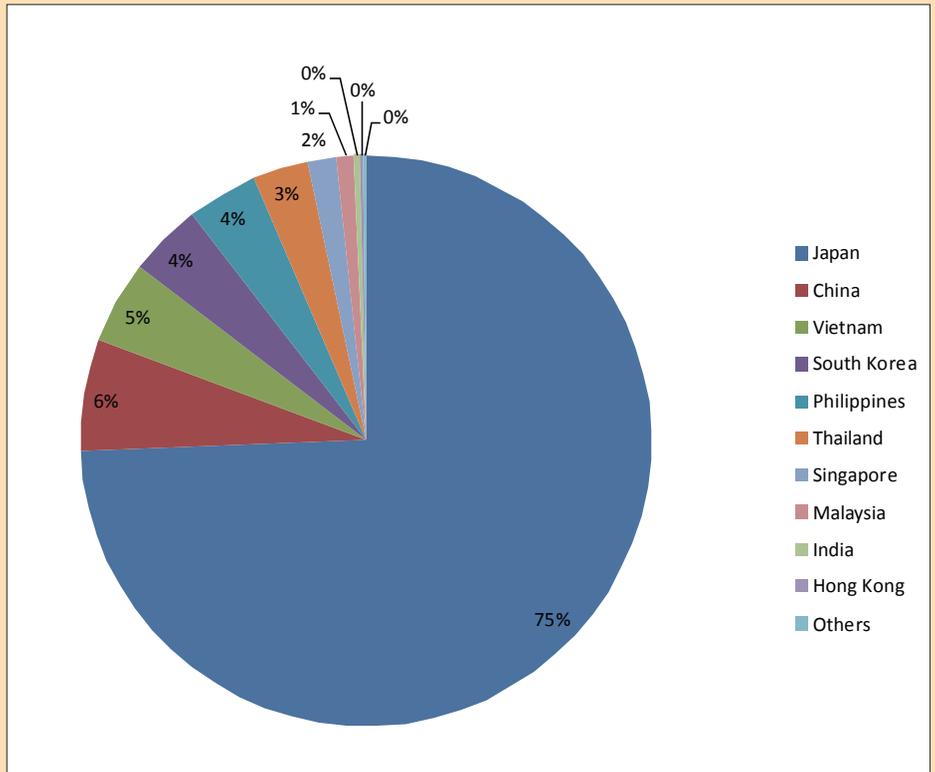
Graphs 2 & 3 are given to further reveal Taiwanese fastener trading relationships with Asian countries. Taiwan shows the closest fastener trading relationships with Japan & China. China is most advantageous in its capacity from its industrial scale, and Japan is most advantageous in its product quality from its technical capability. These features are also reflected on their respective import and export unit prices, which attests to the industry strategy of "retaining technical abilities within the country" and forms the procurement pattern of "country with low unit price → country with high unit price: China → Taiwan → Japan".

Conclusion

To sum up, the "industry scale" and "low-to-medium price" are two features of Taiwanese fastener industry. Although Taiwan takes the 2nd place with its scale, it should not overlook the strength of Japan, India, and South Korea, let alone India currently with the highest growth rate in Asia. In terms of the average price, it seems that the way to high added value toward which Taiwan has been going for the past decade hasn't actually made it "high value added". This article wishes to give a new perspective for Taiwanese companies to look at the performances of Japan, Indonesia, South Korea, and Thailand in unit prices before they can finally gain a competitive edge in the market.



Graph 2. Proportion of Taiwanese Fastener Export to Asia in 2013
Source: Bureau of Foreign Trade (Taiwan)



Graph 3. Proportion of Taiwanese Fastener Import from Asia in 2013
Source: Bureau of Foreign Trade (Taiwan)