



New Battlefields for the Fastener Industry- “Quality Upgrade” & “Strategic Alliance”

by Dean Tseng, Fastener World Inc.

In Asia, both Taiwan and Japan are used to voting for a symbolic “word of the year”. In the previous year Taiwanese people chose the words “fake” and “dark”, and in 2015 they chose the word “change” while the Japanese chose the word “serenity” to wrap up the year. If you are asked to choose some keywords to represent the most significant matter in 2015, what will you choose? In my case, what immediately popped up in my mind were “China’s growth slowdown” and “U.S. Federal Reserve’s raise on the interest rate”, whose influence are believed to be worldwide. It is usually heard that “when China sneezes, the whole world trembles. That may be true, as in the West, when the U.S. raises its interest rate by just a few percent, costs and assets of various industries in 2016 will be affected (of course, some countries are happy to see this happen and some are not).



Particularly in the steel industry, whose fluctuations are closely related to the fastener industry, appeared in 2015 more competition and trade protectionism. The slowdown of growth in China and its excessive capacity led to dropping demand for steel. “The Epoch

Times” even described this as “Unprecedented Slump in China’s Steel Demand.” Such a situation was not limited to China because the World Steel Association also predicted that the global steel demand in 2015 would decrease by 1.7%. As a result, suppliers had to try their best to export the excessive products as many as possible, which seemed to arouse serious concerns of the EU, making European steel industry immediately call for full-range trade protective measures. Under such international sentiment, fasteners (which are mostly made of steel) become an obvious target of the international anti-dumping measures. Without a surprise, the heating dispute over fastener dumping between China and the EU in 2015 does not seem to cease yet. However, what concerns me the most is that the protectionism has been gradually spreading throughout other countries like the U.S., Canada, Russia, Turkey, and South Africa. In addition, India’s appeal for implementing anti-dumping measures against imported automotive components is growing stronger as well.

Although the war-like competition in the steel industry still continues, an eye-catching industrial development, appeared in 2015 which was the boom of the aerospace industry. To the fastener industry, one of the most notable news is that Alcoa signed a multi-year USD 2.5 billion contract with Boeing for fastener supply. Alcoa’s action reveals that the global aerospace industry is going toward a very bright and growing future. Airbus predicts that the global aircraft demand in the next 20 years will reach 28 thousand units, and the “Global Aerospace Fasteners Market 2016-2020” Report published by “Research and Markets” company also predicts that the global aerospace fastener market will grow steadily with an CAGR of over 7%. As a result, we can say that the aerospace and related aerospace fasteners are the hottest industries right now. In this booming trend, Taiwan starts to develop its aerospace industry and provides high quality solutions with its technical excellence and advantages in aerospace manufacturing. The visitor count of 2015 Taipei Aerospace & Defense Technology Exhibition increased 47% substantially, which shows that aerospace and national defense will become critical future industries in Taiwan and will be very likely to form a larger aerospace industry cluster. Before the cluster takes shape, players of Taiwanese industrial components industry may have been already busy taking OEM orders from overseas manufacturers of Airbus or Apache. Recently Taiwanese



aerospace manufacturers like AIDC, EGAP, CHEM and other hundreds of companies in the supply chain have already formed an "Aerospace Team" and introduced "Manufacturing 4.0" technology to enhance the aerospace components and related processing industry. Besides Taiwan, new aerospace clusters are also emerging in China, Mexico, Malaysia, and Morocco. The boom of the aerospace fastener industry seems to be just around the corner.

JETRO

Japan External Trade Organization

when it comes to the trend of the fastener industry, Japan should be one the countries which must be taken into account, as Japan

has a very competitive domestic market and therefore it is very sensitive to global fastener opportunities. JETRO (Japan External Trade Organization) usually groups dozens of companies from a certain industry for a business investment trip to Southeast Asia. JETRO once grouped an automotive manufacturing investment team, comprising car manufacturing, processing, assembling, and component manufacturing companies, to Southeast Asia for exchanging business intelligence. And afterwards, Japanese automotive manufacturing, machinery and assembling companies became the first ones to set their bases in Southeast Asia, and then Japanese fastener and component makers followed their steps. Saima Corp is one of the Japanese fastener companies having bases in India, and furthermore, in Thailand there are 30 Japanese fastener companies. Besides the automotive industry, the Japanese steel leader Nippon Steel & Sumitomo Metal has an automotive sheet metal factory in Indonesia, and the Japanese electronics industry (Panasonic, for instance) also invested in a complete supply chain in Southeast Asia. With the enormous volume of fasteners possibly used on the automotive and electronics industries, it is no doubt that the Japanese fastener companies will be included in the industry supply chain and go invest in Southeast Asia. Another news is that India, following Thailand, will adopt Japanese technology to build its first high-speed rail network. Thus it is not hard to realize that the supply chain of Japanese high speed rail industry will deliver Japanese-made components and fasteners to India

and Thailand. The "southbound" strategy of Japanese fastener industry still continues, and Japanese fastener suppliers are expanding their market shares in Southeast Asia ahead of the U.S. and Europe. Japanese companies' "industry chain investment" strategy brings advantages for themselves, as they cannot only make Southeast Asia their export destination but also make it one of their major purchasing sources. This can make it possible for Japan to source from both the domestic market and Southeast Asia. Particularly, the fasteners sourced from Southeast Asia are advantageous as they are at lower prices and retain Japanese good quality. This is the strength of Japan's technical export.

On the other hand, Taiwanese suppliers adopt an approach different from their Japanese competitors. In previous reports in Fastener World publications, readers would oftentimes notice that if Taiwanese fastener companies wanted to expand business to Latin America, China, Southeast Asia, or other emerging markets for increasing their own market shares and reaching a better competitive edge in pricing, they had to fight alone. Take a moment and think about this- "how can Taiwanese fastener companies fight alone when other big companies from around the world make their presence as a community? Taiwanese fastener industry ought to have the concept of "companies as a community" and aim at developing an industry alliance through cultivating the capability of "supply chain export" coupled with R&D of high quality fastener.

Of course, Japan's target is not limited to the southern hemisphere of the Earth. At the 55th Anniversary Fastener Forum of Fasteners Institute of Japan, the President of Nakashimada Engineering Works Ltd emphasized the importance of international cooperation with Japanese enterprises under the trend of globalization. Perhaps in the near future we will see more and more Japanese companies joining forces with other countries. When Japan already has such vision, Taiwanese fastener industry should speed up and develop domestic and overseas alliances coupled with its advantages in aerospace and national defense manufacturing technology to form a fastener fleet.

The trend of establishing alliances is not limited to Japan but can be also observed in the U.S. and Europe. In 2015 lots of mergers and acquisitions around the world were made, indicating that strategic alliance in the background of competitive domestic market is the developing trend in recent years and even in 2016. Perhaps, strategic alliance and quality upgrade will become the next symbolic words of the year 2016. ■

