

# New Era & Prospects for Taiwanese Fastener Industry

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In 1949, Chun Yu Group's Gangshan plant produced the first screw of Taiwanese fastener industry. At that time Taiwanese basic industries were just started and domestic/foreign demand was increasing, so many fastener factories were established. In the beginning of 1980s, Taiwanese fastener industry started to export and gradually gained its presence in the global market, making Taiwan an export-oriented country with a 7% market share of the global total fastener production. At the peak time, Taiwan topped the world's fastener export and earned the title as the kingdom of fasteners. This is the first feature of Taiwanese fastener industry—its world-topping capacity.

As time goes by, Southeast Asian and Chinese fastener industries have recently swept the global market with their low priced products and advantages of low labor cost and mass production ability. The title of the top position of global fastener export volume has been taken by China since 2003. Taiwanese companies turned to transformation for developing products with high quality and higher added values, heading toward high-end products to avoid low-end product competition from China. This is the second feature of Taiwanese fastener industry—high quality. Not only the quality and unit prices of Taiwanese products are increased, but also the annual production is increasing year after year. If the capacity of Taiwanese overseas factories is also taken into account, the global market share of Taiwanese fasteners is very considerable.

There are 1,800 fastener companies in Taiwan (not yet including nearly 150 fastener traders). These companies (more than 1,000 companies) are mostly located in Kaohsiung and Tainan and they account for 80% of the total production volume and value of the entire Taiwanese fastener industry. This area is a manufacturing heartland for Taiwanese fastener industry.

Taiwanese fastener industry faced many challenges over the past years. For example, the inappropriate waste water treatment led to the shutdown of many electroplating plants and postponed the delivery to customers. More and more stringent environmental protection policies increase the costs and cause the risk in delivery within the fastener industry. The fluctuations of international exchange rates bring risks to companies. The rise of China's supply chain. The European Commission announced the repeal this February of the AD tax rate on carbon steel fasteners originated in China and transshipped via Malaysia. With these domestic and overseas threats, some are frightened and some are accumulating momentum. How about you?

**After reviewing the above causes, what would be the direction for Taiwanese fastener industry in the transition of era?**

## 1. Market Diversification to Reduce Risk

In order to face the challenges from Chinese supply chain, the president of Taiwan Central Bank proposed three suggestions—improvement of industrial and technical cooperation, export market diversification, and being part of the world's regional integration. In his opinion, China cannot maintain the highest growth level at all times, and it will inevitably face problems like decrease in both investment and consumption, industrial localization and import substitution.

North America and the EU have been the two major partners for Taiwanese fastener export. A company once said, "They are very familiar with Taiwan!" These words show how intimate their relationship is. However, as the condition of supply and demand changes, the risks may go high immediately. If we consider the establishment date of Chun Yu as the start of Taiwanese fastener industry, Taiwanese fastener industry would have been 70 years

old. Over the past 7 decades, we experienced the period of factory relocation. At present, the U.S. and EU are still the leaders in various industry sectors. Every member of the export-oriented Taiwanese fastener industry should have the basic idea of market diversification. Every year we receive invitations from fastener show organizers around the world and we are really lucky to work in such a reliable industry that shows steady and growing demand. As a result, we can easily carry out market diversification through global exhibitions.

## 2. Expanding Business to Products with Higher Added Values

In terms of manufacturing costs, products being affected the most will be low carbon steel screws and small construction screws. As such, TIFI chairman Anchor T. H. Chang said in a member meeting that he would fully support Taiwanese fastener industry to become the kingdom of automotive fasteners. This year TIFI has arranged related sessions for certification and social events for new generation of the industry.

Currently, the automotive industry is a very potential application market. Zero defect requirement of the assembly plants on automotive fasteners are directly reflected upon the unit prices of products, so this market is worth investing. Fortunately, more and more Taiwanese fastener companies have acquired certificates, and these are the very proof of Taiwanese fastener industry in sync with the global market. Certainly, besides the automotive industry, the aerospace, biomedical, green energy, precision electronics assembly industries are all the best platforms for showcasing industrial momentum as well as the direct path for more business competency.

## 3. Creating Niche Through R&D

Although many people predict that Taiwan will lose its competence in small screws, we still saw Kwantex celebrating its 20th anniversary and plant expansion and we even saw Sheh Fung's being traded on the emerging stock market. Taking a closer look at these two renowned construction fastener giants, we found that they are both persevere to R&D, which successfully brings the companies to the blue ocean market. Innovation can not only overturn the tradition in the market, but can also open the gate to sustainability of a company. R&D is always an important factor in a company's pursuit of growth and sustainability! Ching Chan Optical Technology, which started business as a fastener sorting machine supplier, also focuses on technology, R&D and quality. It has not only successfully tapped into the field of fastener forming machines, but has also started to be traded on the emerging stock market since April 6!

In this new era, no matter what strategy you choose, we hope that Taiwanese fastener industry will continue its momentum to move forward, and develop business to let Taiwanese fastener industry become the world's technical and quality R&D center.

## 4. Increasing International Sales with Well-established Marketing Networks

Under the globalization, Taiwanese fastener companies are already used to the convenience of this trade platform. Although globalization has become more mature and more entry barriers among countries have been eliminated, other problems like unfair extra tax, or even antidumping and anti-subsidy taxes still occur. I think these are all after the effects of globalization.

Taiwanese fastener industry is special in that it almost completely relies on export, which is different from other countries which focus more on domestic sales. This is exactly why Taiwan needs flexibility and responsive ability that are stronger than other markets, in order to cope with any changes in the world.

I once talked with many big figures from the industry and exchanged views about the future of Taiwanese fastener industry. We all agreed that merger and strategic alliance should be adopted to grow business bigger, and the ideas of capital increase or manufacturing services could be also taken into account for globalization and business transformation. However, they would require labor, resources and fortune to handle global market deployment. In terms of the current condition, the scale of any of the top 10 Taiwanese fastener giants still cannot compete with the scale of any European and American century-old counterparts. Due to differences in nationality, talent, capital and language, it is not easy for Taiwanese companies to plan merger and strategic alliance.

**This article is not to discourage everyone, but to propose an idea to the government and companies. We do have excellent companies. If the government can focus more on the development of Taiwanese fastener giants and get them out of the situation of fighting alone, there is always a chance of increasing the marketing networks around the world. I do hope in the future there will be another Taiwanese giant as big as Brighton-Best International or Boltun, that can show some influences in the market. God bless Taiwan.**