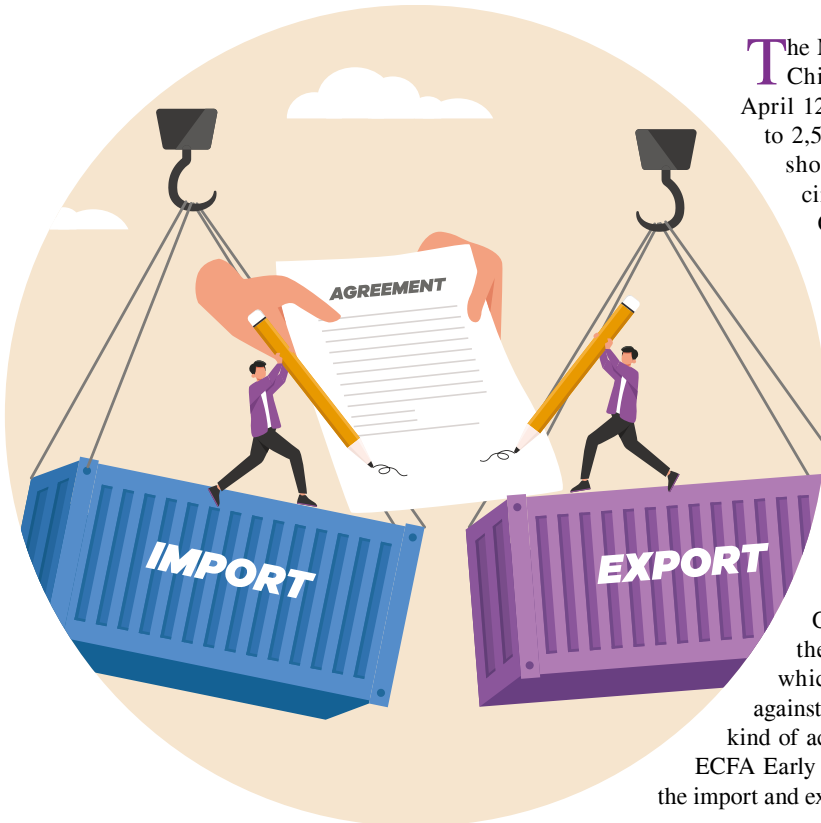


The ECFA Impact on Taiwan Fastener Industry



The Ministry of Commerce of the People's Republic of China (MoC China) initiated a trade barrier investigation against Taiwan on April 12, 2023, and the number of products involved has increased to 2,509 so far. According to the announcement, "the investigation should be completed by October 12, 2023, but under special circumstances, it can be extended to January 12, 2024". MoC China's official website published a press release on October 9, which stated that the investigation will be extended for three months and the deadline is changed to January 12, 2024. On October 11, the spokesman for Taiwan Affairs Office under the State Council of China claimed, "ECFA (Cross-Straits Economic Cooperation Framework Agreement) has brought benefits to the relevant industries and people on both sides of the Taiwan Straits, especially those in Taiwan, since it came into effect. The hope to ensure the continuation of ECFA is the mainstream public opinion on the island, which also proves ECFA is a good agreement for the benefit of the people in Taiwan."

China did not release the results of the investigation on October 12 as expected, probably because it intends to observe the situation that will come after Taiwan Presidential Election which will be held in 2024. China's trade barrier investigation against Taiwan is clearly targeting ECFA which China may take some kind of actions upon. If that is the case, the preferential duty rate in the ECFA Early Harvest List may be canceled, which will significantly change the import and export tariffs of some products from Taiwan to China.

In 2009, Mr. Ma Ying-Jeou, former President of Taiwan, proposed the signing of

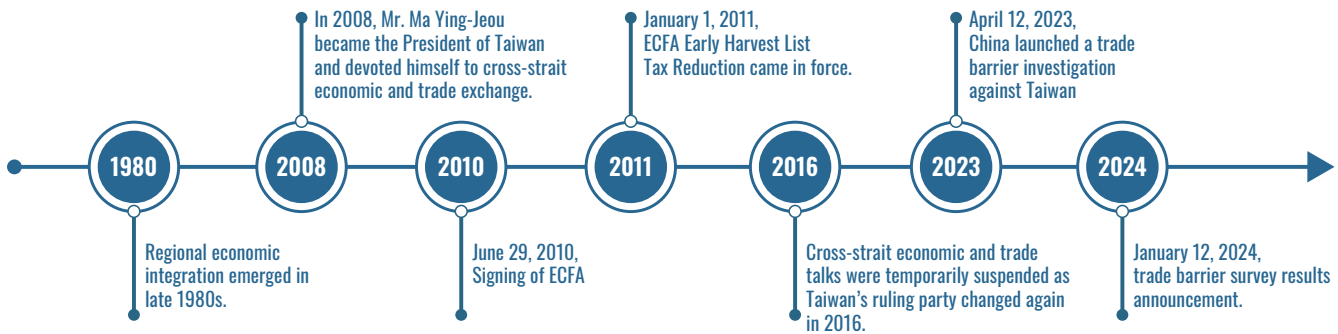


Fig. 1. ECFA Progression

Cross-Strait Economic Cooperation Framework Agreement (ECFA) with China, which is a bilateral economic and trade agreement between the two sides of the Taiwan Strait to strengthen the economic and trade development of both Taiwan and China. ECFA explicitly emphasizes that cross-strait tariffs will be "phased in gradually," so that both sides will reduce merchandise trade tariffs to zero within a certain period of time. The first cross-strait agreement was signed on June 29, 2010 in Chongqing, China, to discuss the follow-up of trade in goods, trade in services, investment protection, and dispute resolution. **The Early Harvest Program came into effect on September 12, 2010. The product content of the early-stage agreement is known as the "Early Harvest List. The tariff-free range covers Taiwan's exports to China in the petrochemical, machinery, textile, and automotive parts and accessories industries, etc. Starting from January 1, 2013, all products under the Early Harvest Program have been reduced to zero tariff.** In terms of the contents of early harvest goods, there are three major categories: trade in goods, trade in services, and agricultural products. Both sides of the Taiwan Strait liberalized different items according to the political and economic considerations at the time. **Figure 1** shows the progression of ECFA development.



Table 1. Taiwan's Export to China and Tariff Reduction Unit: USD 100 Million

Year	All Merchandize		Items in the Early Harvest List			
	Export Value	Change (%)	Export Value	Change (%)	Tariff Reduction	
					By Taiwan Customs' Calculation	By China Customs' Calculation
2011	851.22	9.29%	179.76	18.07%	1.26	1.21
2012	825.92	-2.97%	185.66	3.28%	5.43	5.37
2013	841.22	1.85%	205.78	10.84%	6.76	6.78
2014	847.11	0.70%	212.26	3.15%	7.56	7.58
2015	732.71	-13.50%	191.79	-9.64%	7.72	7.35
2016	737.34	0.63%	193.63	0.96%	8.68	7.56
2017	887.47	20.36%	227.51	17.50%	9.75	8.85
2018	964.99	8.74%	236.37	3.90%	10.05	9.36
2019	917.90	-4.88%	198.48	-16.03%	8.99	7.78
2020	1,024.47	11.61%	193.22	-2.65%	8.81	7.32
2021	1,259.04	22.90%	252.27	30.56%	10.65	9.15
2022	1,211.14	-3.80%	204.95	-18.76%	8.22	7.19
Sum	11,100.53	2022 growth over 2011 +42.28%	2481.68	2022 growth over 2011 +14.012%	93.88	85.5

Table 2. Taiwan's Import from China and Tariff Reduction Unit: USD 100 Million

Year	All Merchandize		Items in the Early Harvest List			
	Import Value	Change (%)	Import Value	Change (%)	Approved Amount of Preferential Tariff	Tariff Reduction
2011	440.95	21.62%	49.66	25.37%	10.36	0.23
2012	414.31	-6.04%	48.03	-3.27%	14.28	0.54
2013	433.45	4.62%	49.43	2.92%	15.90	0.64
2014	492.56	13.64%	55.38	12.04%	19.74	0.82
2015	452.67	-8.10%	54.13	-2.27%	23.00	0.84
2016	439.93	-2.82%	50.22	-7.23%	18.15	0.76
2017	500.41	13.75%	53.90	7.34%	20.20	0.81
2018	537.93	7.50%	59.12	9.69%	23.40	0.91
2019	573.96	6.70%	60.23	1.86%	21.83	0.88
2020	635.90	10.79%	63.16	4.87%	21.75	0.90
2021	824.87	29.72%	88.03	39.38%	32.13	1.27
2022	839.96	1.83%	87.21	-0.93%	31.34	1.25
Sum	6,586.9	2022 growth over 2011 +47.50%	718.5	2022 growth over 2011 +75.61%	252.08	9.85

According to the results of cross-strait negotiations back then, Taiwan agreed to lower taxes on 267 Chinese items in the early harvest list, while China agreed to lower taxes on Taiwanese 539 items in the early harvest list. China's early harvest list for Taiwan mainly includes small and medium-sized conventional industries, agricultural products, and service trade items, including machinery, automobile parts and components, bicycle parts and components, small household appliances, orchids, bananas, tea, as well as the financial industry.

This article uses the data from the article "Implementation of the ECFA" dated August 15, 2023, and organize the bilateral trade and export values between China and Taiwan under the ECFA framework from 2011 to 2022 as follows in Table 1 and Table 2.



Compared to Table 1 and Table 2, the import and export values between Taiwan and China grew significantly from 2011 to 2022. Under the framework of ECFA, the total value of Taiwan's exports to China during the 12-year period was US\$1.11 trillion, much higher than China's exports to Taiwan which totaled US\$658.69 billion. The value of Taiwan's export to China increased 42.28%, while the value of China's exports to Taiwan increased 47.50%. In terms of products in the early harvest list, the value of Taiwan's export to China increased 14.12%, while the value of China's exports to Taiwan increased 75.61%. In terms of the growth rate of export value, China far exceeded Taiwan, which illustrates that ECFA is a winner for both manufacturers and consumers across the Taiwan Strait.

Steel fasteners are not included in the early harvest list. China's iron ore are not included in the early harvest list of imports into Taiwan. Therefore, if ECFA gets cancelled, it doesn't make much of a direct impact on Taiwan's fastener export. Instead, a larger impact will land on the domestic sales of 3 industries, namely machinery, automotive parts, and bicycle parts, which will affect Taiwan fastener



Table 3. Statistics of Steel Fasteners Export from Taiwan, 2011-2022

Year	Value of sales to the World (USD 1,000)	Value of sales to China (USD 1,000)	Value Proportion	Global Sales Volume (Ton)	Export Weight to China (Ton)	Weight Proportion
2011	3,808,060	110,405	2.90%	1,347,747	20,259	1.50%
2012	3,586,644	102,107	2.85%	1,278,585	18,722	1.46%
2013	3,679,771	112,551	3.06%	1,371,099	20,943	1.53%
2014	4,048,973	122,982	3.04%	1,501,697	21,549	1.43%
2015	3,880,625	110,659	2.85%	1,470,992	19,416	1.32%
2016	3,610,630	117,885	3.26%	1,435,750	22,013	1.53%
2017	4,090,044	144,904	3.54%	1,498,070	25,732	1.72%
2018	4,638,379	143,922	3.10%	1,595,705	24,332	1.52%
2019	4,316,160	114,095	2.64%	1,479,292	20,277	1.37%
2020	3,968,861	128,927	3.25%	1,363,250	24,080	1.77%
2021	5,319,169	191,196	3.59%	1,610,698	33,367	2.07%
2022	6,140,351	171,933	2.80%	1,607,481	26,809	1.67%
Sum	51,087,667	1,571,565	3.07%	17,560,367	277,499	1.58%

Table 4. Statistics of Motor Vehicle Parts Export from Taiwan, 2011-2022

Year	Value of sales to the World (USD 1,000)	Value of sales to China (USD 1,000)	Value Proportion	Global Sales Volume (Ton)	Export Weight to China (Ton)	Weight Proportion
2011	3,415,073	467,067	13.68%	257,671	31,647	12.28%
2012	3,666,247	471,092	12.85%	276,277	30,940	11.20%
2013	3,779,599	470,177	12.44%	253,447	26,868	10.60%
2014	3,905,724	486,261	12.45%	244,221	27,690	11.34%
2015	3,906,921	481,693	12.33%	260,763	29,446	11.29%
2016	3,855,885	470,747	12.21%	262,050	29,325	11.19%
2017	4,119,950	481,218	11.68%	264,165	27,669	10.47%
2018	4,117,713	464,437	11.28%	232,261	24,319	10.47%
2019	3,906,966	442,660	11.33%	159,678	16,203	10.15%
2020	3,669,141	404,876	11.03%	179,238	21,752	12.14%
2021	4,634,435	466,546	10.07%	245,523	28,615	11.65%
2022	5,632,410	436,084	7.74%	198,029	22,497	11.36%
Sum	48,610,064	5,542,860	11.59%	2,833,323	316,971	11.18%

industry. Tables 3, 4, 5, and 6 respectively display the statistics of steel fasteners, automotive parts, bicycle parts, machines in terms of Taiwan's export to the world and China during 2011 and 2022. **Taiwan's steel fastener export to China accounted for 3.07% of the total value and only 1.58% of the total weight of export to the world. For parts and accessories used in motor vehicles, Taiwan's value of export to China accounted for 11.59% of the export to the world. Taiwan's export of non-powered two-wheeled bicycles and other bicycles to China accounted for 2.57% of the total sales to the world. Machines accounted for 22.85%. China has limited influence on Taiwan's export of steel fasteners and bicycle parts which are listed in the harvest list. The bigger influence is on machines parts and accessories used on motor vehicles.**

In terms of Taiwan's domestic fastener markets, parts used on machines and motor vehicles are to be assembled with fasteners. If ECFA gets cancelled, it will affect the preferential tariffs for products sold from Taiwan to China, and will indirectly affect the domestic demand for Taiwan's fastener products. Taiwan's machine and motorized vehicle parts exports to China and to the world respectively take up 22.85% and 11.59% of Taiwan's total export to the world. Taiwan's fastener domestic sales ratio is about 20%. Therefore, it is conjectured that if ECFA gets cancelled, the impact on the domestic sales of Taiwan's fasteners is within an affordable range.



Before the Ministry of Commerce of China gives the final result on January 12, 2024, we can summarize into three strategies that the Taiwanese public think China will take.

- The first is that China will impose "mandatory" sanctions on Taiwan, meaning that China will not rule out the possibility of imposing sanctions on Taiwan's competitive petrochemicals, machinery, textiles, and plastics products, and will suspend ECFA in whole or in part, resulting in a high impact on Taiwan's exports to China. This is the last thing we want to see.
- The second scenario is that Taiwan may make moderate concessions and decide to open up import of all or some of the previously banned Chinese goods. In this case, textile and machinery industries that are in the early harvest list will not be affected, but Taiwan's agricultural industry may suffer a greater impact.
- The third is that China adopts a reciprocal strategy, where China only prohibits Taiwan from exporting corresponding goods to China, which means that China only allows importing the same goods that Taiwan has agreed to import from China. This impact on Taiwan's industry is relatively limited.



Table 5. Statistics of Non-Powered Two-Wheel Bikes and Other Bikes Export from Taiwan, 2011-2022

Year	Value of Sales to the World (USD 1,000)	Value of Sales to China (USD 1,000)	Value Proportion	Global Sales Volume (Ton)	Export Weight to China (Ton)	Weight Proportion
2011	1,734,406	63,996	3.69%	20,615	511	2.48%
2012	1,885,384	61,655	3.27%	47,098	1,296	2.75%
2013	1,750,868	52,991	3.03%	85,846	3,621	4.22%
2014	1,749,168	50,320	2.88%	78,496	1,686	2.15%
2015	1,913,826	52,309	2.73%	60,736	1,141	1.88%
2016	1,501,204	39,467	2.63%	46,114	869	1.89%
2017	1,347,695	33,521	2.49%	31,075	416	1.34%
2018	1,495,478	31,343	2.10%	30,206	394	1.31%
2019	1,363,761	29,579	2.17%	20,767	232	1.12%
2020	1,121,201	23,999	2.14%	26,676	266	1.00%
2021	1,336,645	27,641	2.07%	31,613	314	0.99%
2022	1,637,035	27,335	1.67%	54,370	655	1.21%
Sum	18,836,672	494,156	2.57%	533,612	11,403	1.86%

Table 6. Statistics of Machine Export from Taiwan, 2011-2022

Year	Value of Sales to the World (USD 1,000)	Value of Sales to China (USD 1,000)	Value Proportion	Global Sales Volume (Ton)	Export Weight to China (Ton)	Weight Proportion
2011	31,762,398	7,885,970	24.83%	1,977,815	487,076	24.63%
2012	29,839,216	7,087,528	23.75%	1,847,431	397,156	21.50%
2013	29,517,934	6,789,008	23.00%	1,783,830	390,487	21.89%
2014	31,462,985	7,153,329	22.74%	1,910,399	395,922	20.72%
2015	29,016,514	6,207,988	21.39%	1,787,104	336,390	18.82%
2016	29,090,967	6,167,515	21.20%	1,728,499	342,469	19.81%
2017	34,875,316	8,991,619	25.78%	1,898,879	440,195	23.18%
2018	38,822,980	10,013,421	25.79%	1,916,983	446,715	23.30%
2019	42,707,225	9,260,534	21.68%	1,751,798	361,536	20.64%
2020	44,539,219	9,669,503	21.71%	1,591,739	356,472	22.40%
2021	57,453,514	13,741,744	23.92%	1,869,892	428,465	22.91%
2022	63,136,764	11,591,658	18.36%	1,754,018	359,552	20.50%
Sum	462,225,032	104,559,817	22.85%	21,818,387	4,742,435	21.69%

Table 7. Taiwan's Top Six Export Destinations in 2022

Destination	China	U.S.A	Hong Kong	Europe	Japan	South Korea
Export Value (USD 1,000)	121,092,996	75,052,059	64,782,182	40,232,875	33,608,899	22,178,146
Export Proportion	25%	16%	14%	8%	7%	5%

According to statistics, Taiwan's total export value in 2022 was US\$479,415,230,000. The top export destination was China at US\$121,092,996,000, followed by the United States at 75,052,059,000, Hong Kong at US\$64,782,182,000, Europe at US\$40,232,875,000, Japan at US\$33,608,875,000, and South Korea at US\$22,178,146,000. Table 7 lists Taiwan's top six export destinations in 2022.

In terms of Taiwan's total export value, China shared 25% and it goes up to 39% if we add Hong Kong's share which was 14%. The importance of China to Taiwan's exports is self-evident. Among the greements Taiwan has signed with the top 6 export destinations, ECFA between Taiwan and China is the only zero-tariff economic and trade agreement. August 24, 2023, the spokesman of Mainland Affairs Council located in Taiwan said, "China's pressing on Taiwan is no win-win for anyone. We wouldn't expect to see China rashly suspend ECFA. ECFA is in line with the spirit of WTO. Taiwan and China both have joined WTO, hoping to steadily break tariff and non-tariff barriers between both sides. Now with ECFA in effect, different opinions should be put on the table and resolved by the book instead of terminating the agreement abruptly." Taiwan government has also expressed its hope that ECFA will continue.

If ECFA is stopped, the impact on Taiwan's fastener industry is limited, but there is a pitfall. RCEP has come in force since January 1, 2022, and it aims to bring tariff down to zero for 90% of traded products. Plus, Taiwan's value of export to RCEP member countries continues to increase. It is concerning that Taiwan has not had any FTA with RCEP member countries. Taiwan is not a part of CPTPP. If the benefits with the ECFA early harvest list discontinue, Taiwan's conventional industries will immediately suffer an impact on its trade with China. In an international trade structure with escalating difficulties, it is hoped that Taiwanese and Chinese governments can keep good economic and trade relations and that the ECFA early harvest list will continue in effect. ■

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