Editorial

Business Opportunities Amid Tariffs and Exchange Rate Fluctuations

If we were to vote for the issues that have had the most dramatic impact on the industrial market in H1 this year, Trump's tariff measures against various countries over the past few months and the exchange rate of New Taiwan Dollar that has constantly touched 28 or 29 NTD to 1 USD would definitely be talk of the town. These two issues not only affect the overall competitive edge of Taiwanese products exported to the global market, but are also the keys to the survival of many fasteners, components, hand tools, and other traditional industries to continue to generate foreign exchange for Taiwan.

According to statistics, after the U.S. imposed the 25% tariff (which has been increased to 50% since June 4) on all steel and aluminum imports (incl. fasteners), Taiwan's fastener export volume immediately hit a new low in April, with a month-to-month drop of nearly 23%, especially in the most important European and U.S. markets where customers chose to temporarily halt their order placement due to market uncertainties, causing 24% and 33% order drops respectively and bringing great impact on most of the domestic companies. If the impact of tariffs and the exchange rate continues to expand and the Taiwanese government fails to show a more preemptive attitude in putting forward contingency plans in this regard, it will definitely aggravate the operating difficulties of these SMEs, resulting in a situation of no winners for the sustainable development of the industry, as well as for the livelihood of entrepreneurs and employees in the future.

Should Tariffs be Shared with Customers? Opinions are Still Divided

In terms of the concern that the U.S. tariffs may lead to higher selling prices in the end market, further reducing the competitiveness of products, Taiwanese industry is still divided in dealing with it. Some of them believe that in order to maintain the sustainable cooperation with existing customers and ensure the company can continue to receive orders in the future, they should negotiate with U.S. customers to share tariffs with each other in the short term in order to reduce each other's operating costs. For example, Boltun, a major OTC automotive fastener company, has agreed with its U.S. customers to share tariffs to minimize the impact of increased costs; However, there is also another school of thought which believes that import tariffs should be paid by customers who place orders, and that the cart should not be put before the horse to the effect that the suppliers should absorb the costs themselves or share them out proportionately. TIFI Chairman Yung Yu Tsai has also

previously expressed a clear attitude towards this, calling on Taiwanese companies to refrain from tariff sharing, as this may weaken the export prices of Taiwanese fasteners and customers may also require other suppliers to follow suit, making it harder for companies having been struggling with their gross margins to survive.

In my opinion, large manufacturers, owing to their multi-dimensional advantages in market layouts, marketing approaches, R&D technology and customer base, are less susceptible to substitution and can find ways to offset the losses caused by tariff sharing in other areas, so the impact on them is relatively smaller. On the other hand, a small-scale enterprise has less say in the market, and may be at a disadvantage when negotiating tariff sharing with customers. However, if it can form a cooperative alliance with its industry peers, it will also have more say in negotiating with customers. In addition, it can also enhance the special and irreplaceable nature of its own products, so that customers can only buy from it, so as to strengthen its own competitiveness. However, the relevant government departments and units should further strengthen their support to the industry, such as assisting the industry to form a "national team" and creating conditions conducive to the industry's order intake on the national level, otherwise, it may be futile to rely on the efforts of the industry alone. In terms of wire rod affecting the industry's manufacturing cost the most, **the Taiwanese government should perhaps seriously review the current wire rod import policy and sit down to talk with the domestic industry. If certain types of wire are suitable to be imported, then allow companies to import the competitive wire ASAP. In this way, Taiwan's CSC can also focus on the production of higher value-added wire, which is not necessarily a bad thing for the industry.** Otherwise, if the industry is forced to leave because of the inability to obtain competitive wire, it will not be a long-term blessing to the stable development of Taiwanese fastener industry.

When the Exchange Rate of NTD Constantly Touches 28 or 29 to 1 USD, How Can Taiwanese Government Support Exporters?

The NTD against 1 USD over the past few months has been constantly hovering over 28 or 29, and the pressure of appreciation has gradually emerged. From the beginning of 2025 to the present, it has appreciated by more than 12%, which for many exporters quoting in USD is not only about "selling more, losing more", but also about the competitiveness of external quotations. It was even heard that some customers chose to shift their orders to Vietnam and India, where the exchange rates seemed to be more flexible, resulting in heavy losses for Taiwanese industry. Although the Central Bank of Taiwan has done slight control over the exchange rate, it did not take too many actions to control it due to the worries that Taiwan might be considered by the U.S. a manipulator of the exchange rate. Perhaps this is why when the exchange rate of NTD returned to 30, it constantly appreciated to 28 or 29 again. Even though we can understand the Central Bank's considerations, for manufacturers facing an average foreign exchange loss of several million or even tens of million NT dollars, this is a matter of life and death for the company. TIFI Chairman Yung Yu Tsai said that 97% of Taiwanese fasteners are exported, and if the exchange rate of NTD against USD is further appreciated, the industry will face a battle for survival, and the fastener industry can only survive if the slow rise is properly controlled.

In order to help traditional industries weather the operating difficulties, **the Taiwanese government should quickly formulate more complete relief packages, and at the same time relax the application restrictions, such as providing more favorable enterprise loans or subsidies (e.g., preferential loans for SMEs), take the initiative through the government's resources to assist enterprises in order matching or employee trainings (e.g., industrial subsidies for developing the international market), and provide such information ASAP to the needy enterprises to apply for.**

Focus on Emerging Industrial Opportunities and Signs of Recovery in Specific Markets

Despite trade frictions, geopolitics and policy uncertainties having made things difficult for many industries around the world, there are still some sectors and markets that have recently shown more significant signs of recovery. For example, as **U.S. customers are actively developing AI and robotics,** Boltun has also begun to move into these fields. Automotive fasteners supplier SPEC's revenue for the first 5 months of this year increased by 7.48% from the same period last year and it is optimistic about its future operating performance. OFCO's single-quarter revenue and gross profit were not bad as **demand from European and U.S. customers picked up following the end of de-stocking,** with three-month visibility of orders. **The number of building permits issued in Germany, Europe's economic powerhouse, has also increased after 3 consecutive years of decline,** which is expected to boost demand for construction and industrial fasteners. In addition, **the number of fasteners exported from Taiwan to Saudi Arabia in the Middle East also increased significantly** in April this year, and many Chinese manufacturers in IFS China this year also revealed satisfying order intake in the Middle East market. These are all areas where industry players interested in developing new markets can pay close attention to.

In the U.S. market, although the tariff issue may give priority to large local U.S. distributors, overseas suppliers are still the main supply sources, considering that there are not many traditional fastener manufacturers in the U.S. and that it is not easy to find substitutes. Coupled with the fact that the 50% tariff on steel and aluminum is a globally consistent rate, Taiwanese industry can still compete with most countries through its price and quality competitiveness. In the future, **Taiwanese industry can also try to develop more fields other than automotive and construction, and follow the trend to develop more advanced fields such as AI robotics and smart manufacturing, so as to help themselves identify more potential business opportunities.** In the "Preview of IFE Taiwan Exhibitors" in this issue, we can see that there are still many Taiwanese exhibitors applying to participate in the exhibition, showing that the U.S. market is still attractive to Taiwanese manufacturers. As long as the quality of your products is good enough and highly competitive, you can definitely gain your presence in the market full of business opportunities. ■