

# Survival Between a Rock and a Hard Place

Since the beginning of 2022, the global market took the brunt of two shock waves—the war and the face-off between two of the world’s largest political economic entities—triggering a sea change that virtually flips the global supply chain structure. Meanwhile, on September 2 the Office of the United States Trade Representative decided to launch 301 investigation and continue the imposition of tariff on China followed by reviews of these actions. The anti-dumping tax on China imposed by EU remains effective. These factors are inextricably entwined, creating a large pressure against the Chinese fastener market, and therefore it calls for examining China’s fastener trade of the first half of 2022.

First of all, China and Taiwan are respectively the largest and second largest fastener suppliers in the world. To better objectively understand China’s fastener trade, this article compares fastener trade of China to that of Taiwan and analyze respective situations and challenges. Next, the article will attempt to suggest several potential countermeasures against the current crisis. Lastly, the article will point out a potential competitor that both China and Taiwan have to be prepared for immediately.

### Highlight 1: Comparison of China’s and Taiwan’s Fastener Trade

China’s Fastener Trade in First-half 2022 (USD)					Taiwan’s Fastener Trade in First-half 2022 (USD)			
Ranking	Import Source	First Half of 2022	Export Destinations	First Half of 2022	Import Source	First Half of 2022	Export Destinations	First Half of 2022
0	World	1,475,295,976	World	5,148,551,761	World	108,226,355	World	3,183,209,705
1	Japan	439,819,788	U.S.A.	858,125,493	Japan	36,177,839	U.S.A.	1,427,203,915
2	Germany	271,571,176	Germany	308,014,680	U.S.A.	21,424,773	Germany	260,847,004
3	U.S.A.	200,127,590	Vietnam	223,559,285	China	12,563,243	Netherlands	169,348,088
4	Taiwan	147,377,359	S. Korea	221,971,974	Germany	7,266,443	Japan	149,510,874
5	Italy	69,391,472	Russia	220,191,744	S. Korea	5,541,891	UK	109,955,298
6	S. Korea	61,354,528	Japan	201,985,763	Vietnam	3,009,690	Canada	107,050,441
7	France	32,780,607	India	172,586,224	Netherlands	2,694,695	China	88,074,895
8	UK	24,980,984	UK	154,190,272	Philippines	2,570,308	Italy	71,511,493
9	Turkey	18,765,358	Italy	146,440,438	Switzerland	2,110,473	Sweden	71,109,514
10	Switzerland	15,773,304	Australia	145,622,009	Sweden	1,740,430	Mexico	70,972,853

China’s Fastener Trade in 2021 (USD)					Taiwan’s Fastener Trade in 2021 (USD)			
Ranking	Import Source	2021	Export Destinations	2021	Import Source	2021	Export Destinations	2021
0	World	3,280,746,110	World	9,303,405,675	World	206,147,825	World	5,322,552,883
1	Japan	983,969,032	U.S.A.	1,263,573,726	Japan	78,090,806	U.S.A.	2,249,900,692
2	Germany	630,243,449	Russia	544,573,376	U.S.A.	35,474,785	Germany	454,994,012
3	U.S.A.	398,160,844	Germany	533,707,080	China	21,189,220	Netherlands	291,941,389
4	Taiwan	324,224,022	Vietnam	457,539,548	Germany	14,582,412	Japan	246,072,681
5	Italy	172,577,180	S. Korea	405,583,971	S. Korea	9,414,381	UK	209,199,205
6	S. Korea	132,572,356	Japan	346,444,260	Philippines	5,401,730	China	191,243,730
7	France	73,700,211	India	298,269,602	Vietnam	5,375,493	Canada	177,039,530
8	UK	53,832,105	Italy	277,500,682	Netherlands	5,205,645	Sweden	121,737,174
9	Turkey	40,893,282	Australia	266,465,334	Switzerland	2,937,108	Mexico	119,553,758
10	Switzerland	33,779,764	UK	260,145,375	Sweden	2,678,180	Italy	103,873,841

In the first half of 2022, China exported USD 5.14 billion worth of fasteners to the world, which is 1.6 times more than Taiwan’s global export value of USD 3.18 billion in the same period. In the value of fastener import from the world, China was USD 1.47 billion and Taiwan was USD 108 million. Taiwan demanded far less fastener import from the world than China did. China’s top



3 export destinations were the U.S.A. (USD 850 million), Germany (USD 308 million) and Vietnam (USD 223 million). Taiwan's top 3 export destinations were the U.S.A. (USD 1.42 billion), Germany (USD 260 million) and the Netherlands (USD 169 million), and Taiwan exported USD 88.07 million worth of fasteners to China. It shows that the U.S.A. and Germany were the top 2 fastener export destinations for both China and Taiwan in the first half of 2022. In terms of import, the top 3 sources for China were Japan (USD 430 million), Germany (USD 270 million), and the U.S.A. (USD 200 million). Additionally, China imported USD 140 million worth of fasteners from Taiwan in the same period. Taiwan mainly imported from Japan (USD 36.17 million) and the U.S.A. (USD 21.42 million), and it also imported USD 12.56 million worth of fasteners from China. **Japan was the largest fastener import source for both China and Taiwan. Germany and the U.S.A. were respectively the second largest source for China and Taiwan.**

In 2021, China exported USD 9.3 billion worth of fasteners to the world, which is 1.7 times more than Taiwan's export value of USD 5.32 billion in the same period and it resembles the aforementioned difference of scale in first-half 2022. In the value of fastener import from the world, China was USD 3.28 billion and Taiwan was USD 206 million. China's top 3 export destinations were the U.S.A. (USD 1.26 billion), Russia (USD 544 million) and Germany (USD 533 million). Taiwan's top 3 export destinations were the U.S.A. (USD 2.24 billion), Germany (USD 454 million) and the Netherlands (USD 291 million), and Taiwan exported USD 191 million worth of fasteners to China. **The U.S.A. was the largest export destination for both China and Taiwan. As for the second largest export destination, it was Russia for China and Germany for Taiwan.** In terms of import, the top 3 import sources for China were Japan (USD 983 million), Germany (USD 630 million), and the U.S.A. (USD 398 million). Additionally, China imported USD 324 million worth of fasteners from Taiwan in the same period. Taiwan mainly imported from Japan (USD 78.09 million) and the U.S.A. (USD 35.47 million), and it also imported USD 21.18 million worth of fasteners from China. **Japan was the largest fastener import source for both China and Taiwan. Germany and the U.S.A. were respectively the second largest sources for China and Taiwan.**

China's Fastener Trade in 2020 (USD)					Taiwan's Fastener Trade in 2020 (USD)			
Ranking	Import Source	2020	Export Destinations	2020	Import Source	2020	Export Destinations	2020
0	World	2,786,542,569	World	6,959,807,809	World	157,680,579	World	3,969,360,344
1	Japan	852,790,240	U.S.A.	827,330,702	Japan	61,494,765	U.S.A.	1,689,801,153
2	Germany	561,700,799	Vietnam	484,775,853	U.S.A.	27,844,570	Germany	340,191,792
3	U.S.A.	315,945,338	Russia	404,230,744	China	15,143,539	Japan	209,498,781
4	Taiwan	234,702,416	Germany	309,148,054	Germany	10,329,451	Netherlands	195,105,056
5	Italy	141,111,449	Japan	270,056,188	S. Korea	5,660,405	UK	136,840,671
6	S. Korea	130,805,250	S. Korea	249,571,286	Netherlands	4,058,735	China	129,131,272
7	France	62,370,515	UAE	213,085,446	Vietnam	3,719,309	Canada	128,760,834
8	UK	46,517,579	India	203,159,577	Switzerland	2,182,902	Sweden	85,303,928
9	Malaysia	28,608,755	Myanmar	199,601,983	Sweden	2,033,164	Mexico	77,878,026
10	Switzerland	28,247,190	Thailand	196,292,352	UK	2,017,286	Italy	70,888,895

In 2020, China exported USD 6.95 billion worth of fasteners to the world, which is again 1.7 times more than Taiwan's export value of USD 3.96 billion in the same period. In the value of fastener import from the world, China was USD 2.78 billion and Taiwan was USD 157 million. China's top 3 export destinations were the U.S.A. (USD 827 million), Vietnam (USD 484 million) and Russia (USD 404 million). Taiwan's top 3 export destinations were the U.S.A. (USD 1.68 billion), Germany (USD 340 million) and Japan (USD 209 million), and Taiwan exported USD 129 million worth of fasteners to China. **The U.S.A. was the largest export destination for both China and Taiwan in 2020. As for the second largest export destination, it was Vietnam for China and Germany for Taiwan.** In terms of import, the top 3 import sources for China were Japan (USD 852 million), the U.S.A. (USD 561 million), and China (USD 315 million). Additionally, China imported USD 234 million worth of fasteners from Taiwan in the same period. Taiwan mainly imported fasteners from Japan (USD 61.49 million), the U.S.A. (USD 27.84 million) and China (USD 15.14 million). **Japan was the largest fastener import source for both China and Taiwan. Germany and the U.S.A. were respectively the second largest sources for China and Taiwan.**

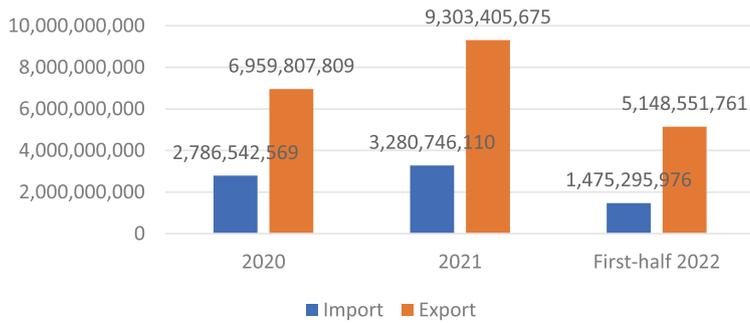
China's global fastener export grew 33.8% from USD 6.95 billion in 2020 to USD 9.3 billion in 2021, and reached USD 5.14 billion in the first half of 2022, having a potential to grow 7.5% to USD 10 billion for the 12 months of 2022. Despite the virus and city lockdown in the last two years, China's scale continued to grow, but a big concern is that the growth margin of this year is likely to decrease over 20%.

Taiwan's global fastener export grew 55.1% from USD 6.95 billion in 2020 to USD 9.3 billion in 2021, and reached USD 5.14 billion in the first half of 2022, having a potential to grow 12.7% to USD 10 billion for the 12 months of 2022. Taiwan gained a large number of orders from overseas last year and expects to grow one fold more than China, but this is far less than the drastic growth last year. For Taiwan, the concern is that the U.S and European clients have yet to clear up their inventory; therefore, they have less purchasing demand for Taiwan.

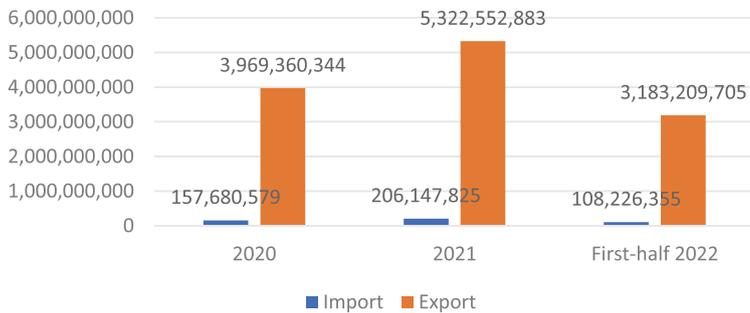
Caught between the domestic impact (lockdown) and foreign impact (AD tax imposed by EU and 25% tax by the U.S.A.), China was still able to perform well in fastener export, because the Chinese government provided subsidies and the Chinese steelmakers offered highly competitive wire prices. Furthermore,



### China's Global Fastener Trade in 2020 to First-half 2022 (USD)



### Taiwan's Global Fastener Trade in 2020 to First-half 2022 (USD)



China increased fastener export to places other than the U.S.A. and Europe. This indicates China's impact mitigation strategy to quickly scatter export and not concentrate on a single market in the face of overseas barriers. In contrast, exporting nearly 90% of fasteners to the U.S.A. and Europe, Taiwan can reference China's experience and explore overseas regions other than the U.S.A. and Europe to be able to cope with future drastic changes. The emerging countries will become a niche market for both China and Taiwan in need of increasing export destinations.

### Highlight 2: Action Taken in Response to the Situation

The market change is huge and it creates a large pressure. Operating cost is higher now. Staff turnover rate is high. It is difficult to keep or recruit talents. Some Chinese fastener companies said they would rather just make reputation than make good screws. The difficult issue for them right now is to persuade customers coming with inquires into placing an order. Even if the customers do place it, the Chinese fastener companies will have to wait very long to claim the payment, which makes cash flow management a difficult hassle.

### Tax Rebate and Deferral

This is a common issue for companies in the grand challenging environment. To further help business and

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stabilize the economy, the State Council of China deferred tax for another 4 months beginning from September and the total deferred tax value has amounted to RMB 440 billion. Meanwhile, the Council opens immediate tax rebate upon application which will rebate RMB 3.2 billion for the Chinese manufacturing sector. According to sources, this policy has helped Chinese fastener companies in Yongnian District of Handan City to rebate RMB 90.45 million, enabling them to invest in product development and expand production.

**More Chinese Companies are Shifting to E-commerce**

With supply chain issues and peer competition, many Chinese companies turn their focus and put their products on one-stop online fastener purchasing platforms including ZKH, GYPH, Tong Ming's e-commerce platform, and Tao Ding Ding. They realized that clients are less willing to spend more time doing a blind search over the net only to find more ads they don't need, especially now when material and logistics prices are high. Therefore, a shift to e-commerce is the best way to satisfy clients' need to compare prices and accurately find suppliers while having the platforms' guarantee on quality. More company owners think it is already too late to wait for clients to come and that the immediate remedy is to increase exposure via the digital Internet. Some of them turn to Fastener World's exclusive web page listing for registered suppliers and online purchase and sales platform which links clients straight to buyers from 200 countries, looking to expand product exposure overseas.

**"Clustering" and "Overseas Warehousing" Underway**

China's fastener market scale amounted to RMB 145.87 billion last year. The export grew 33% to USD 9.3 billion. Demand continues upward and motivates many Chinese fastener companies to move into industrial parks. Clusters of high quality fastener companies worth over RMB 10 billion have emerged from multiple places. The biggest advantage of clustering is supply chain and vertical/horizontal integration to further attract domestic and overseas buyers.

In addition, overseas warehousing means shipping out domestic merchandise through high-volume transport and distribute through overseas warehouses. Distributing through overseas warehouses generates far lower cost than through warehouses in China. Already there is a hardware components company in China having exported USD 20 million worth of products to the Middle East via overseas warehouses. Overseas warehousing could open up a new path within a series of challenges for Chinese fastener companies.

**Look Out! New Economic Powerhouse Coming up from the South**

Over the years Fastener World has been monitoring and forecasting market development, and lately we have observed a sign indicating the U.S.A. is looking to help India become the second "world's factory". The future India could become an emerging nation with the highest potential in the world. It also has a large population of labors who are mostly younger than the Chinese. It can offer prices lower than China's, and it enjoys preferential tariffs as an RCEP member. India could be a tiger awoken from sleep and could sweep the world as a powerful competitor to fastener companies in many countries, so fastener business owners should prepare ahead.





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