

# The Impact of Taiwan-USA TIFA on Taiwanese Fasteners

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## Foreword

The trade war between the U.S. and China in recent years still has not come to an end despite the inauguration of U.S. President Biden, while the trade partnership between Taiwan and the U.S. has become closer instead, with the bilateral trade value reaching over NT\$ 2,430 billion every year. Trade and Investment Framework Agreement (TIFA) between Taiwan and the U.S. suspended in 2016 was resumed in the end of June, 2021 and was focused on deepening Taiwan-USA relationship and helping Taiwan quickly recover from the impacts of the pandemic. During the meeting, Taiwan expressed its will to sign the Taiwan-USA Bilateral Trade Agreement (BTA) and continue to reinforce bilateral interactions to deal with trade related issues. The difference between BTA and FTA is that: in order to facilitate economic integration and eliminate trade barriers, FTA requires up to 90% of goods and service traded between two countries to be subject to 0% tariff, while BTA requires opening the domestic market and removing most barriers against imports & exports to offer each other favorable trade agreements. One of the TIFA resolutions includes that: in order to create a better future for Taiwan and the U.S., both

sides will make an effort to promote the free flow of necessary goods and accelerate the customs clearance procedure under the WTO framework. Fasteners are one of the major foreign exchange earning industries for Taiwan, and this industry is highly export-oriented with more than 90% of its fasteners for export (over 40% for the U.S.), so TIFA will cause a significant impact on Taiwanese fastener companies. In the future, how can Taiwan get more preferential taxes or tax-free benefits for its fasteners will become a critical issue. This article will explore the trade statistics between Taiwan and the U.S. in recent years, the impacts of TIFA on the industry, and some strategies for the industry to respond to it.

## Taiwan-U.S. Fastener Trade in Recent Years

**Table 1** shows fastener trade between Taiwan and USA and that between Taiwan and the world in 2014-2020; in terms of import, in 2020 Taiwan imported NT\$ 4.87 billion worth of fasteners from the world (with the 7-year CAGR at 1.25%) and imported NT\$ 0.85 billion worth of fasteners from the U.S. (with the 7-year CAGR at 7.63%). The fastener import from the U.S. was around 16-18% of Taiwan's total fastener import from the world. There was not much fluctuation over the last 7 years, but the proportion was growing (at 6.3%) on the whole.

In export, Taiwan exported NTD 122.23 billion worth of fasteners to the world in 2020, with a -0.90% CAGR for the last 7 years. Taiwan exported NTD 52.28 billion worth of fasteners to the U.S. in 2020, with a 1.71% CAGR for the last 7 years, slightly higher than the CAGR of export to the world. The proportion of fasteners exported to the U.S. grew from 37.0% in 2014 to 43.3% in 2020. The proportion of the U.S. market inched closer to 50%, and for the past 7 years the U.S. market has had a CAGR of 2.63%. It shows evidently increasing importance of the U.S. market to Taiwan, meaning that fasteners will be a critical product for Taiwan to seek tax exemption from the U.S. in future bilateral trade negotiation.

**Table 1. Fastener Import & Export Trend Between Taiwan and U.S./World**

Unit: NTD 100 Million; %

Year	2014	2015	2016	2017	2018	2019	2020	CAGR
Taiwan's Import from the U.S.	5.5	6.2	8.0	7.2	7.9	9.2	8.5	7.63%
Taiwan's Import from the World	45.2	43.9	44.1	42.3	49.5	52.1	48.7	1.25%
Percentage of USA in Taiwan's Total Import	12.1%	14.1%	18.1%	17.1%	16.0%	17.7%	17.4%	6.30%
Taiwan's Export to the U.S.	477.7	502.0	473.7	502.7	574.8	578.5	528.8	1.71%
Taiwan's Export to the World	1290.5	1296.3	1226.5	1307.4	1460.6	1394.4	1222.3	-0.90%
Percentage of USA in Taiwan's Total Export	37.0%	38.7%	38.6%	38.5%	39.4%	41.5%	43.3%	2.63%

Source: Taiwan Customs and trade data by Taiwan Institute of Economic Research



## Import of U.S. Fasteners into Taiwan in 2020 and Estimated Influence

In terms of import, according to Taiwan and the U.S. customs as well as the data from WTO, **Table 2** lists the fastener items imported from the U.S. into Taiwan. The tax for fasteners imported into Taiwan mostly ranges between 4% to 10%. There are only few of them that are tax free. The import values and proportions of the top 3 fastener products imported from the U.S into Taiwan in 2020 are: Steel screws and bolts (at NTD 313 million, making up 36.9%); steel threaded products (NTD 129 million, 15.2%); steel nuts (NTD 114 million, 13.5%). Overall, the value of import into Taiwan from the U.S. is low. If Taiwan and the U.S sign the trade agreement in which Taiwan reduces the tax on fasteners imported from the U.S., the annual tax income for Taiwan will decrease by NTD 42.39 million which should be tolerable. The primary American fastener companies are Illinois Tool Works (ITW), Precision Castparts, Alcoa, Acument, etc. Although the fasteners manufactured by these companies vary in types, the ones that Taiwan imports from the U.S. are mostly high-value and high-price fasteners, which helps Taiwanese high-end industries access components with fewer costs.

**Table 2. Import of U.S. Fasteners into Taiwan in 2020 and Estimated Influence**

Currency: NTD; %

HS Code	Items	Taiwan Tax	Import Value (100 Million)	Import Proportion	Estimated Annual Tax Income for Taiwan (10 Thousand)
731600	Iron or steel anchors, grapnels and parts thereof	10.0%	0.04	0.4%	37.8
731700	Iron or steel nails, tacks and similar parts	0.0%	0.02	0.2%	0.0
731811	Iron or steel automotive screws	5.0%	0.01	0.1%	2.7
731812	Other wood screws made of iron or steel	5.0%	0.00	0.0%	0.0
731813	Iron or steel screw hooks and screw rings	5.0%	0.01	0.1%	4.6
731814	Iron or steel self-tapping screws	5.0%	0.06	0.7%	31.2
731815	Other iron or steel screws and bolts	5.0%	3.13	36.9%	1563.4
731816	Iron or steel nuts	5.0%	1.14	13.5%	570.6
731819	Other iron or steel threaded products	5.0%	1.29	15.2%	643.0
731821	Iron or steel spring washers and other locking washers	5.0%	0.19	2.3%	97.4
731822	Other iron or steel washers	5.0%	0.78	9.2%	390.4
731823	Iron or steel rivets	5.0%	0.15	1.8%	75.6
731824	Iron or steel cotters and cotter pins	5.0%	0.51	6.0%	254.1
731829	Other iron or steel non-threaded products	5.0%	0.58	6.8%	289.0
741510	Copper nails, tacks and similar parts	5.0%	0.00	0.0%	2.1
741521	Copper washers (including spring washers)	4.0%	0.06	0.8%	26.0
741529	Copper bolts, nuts and similar parts	4.0%	0.08	1.0%	33.3
741533	Copper threaded products including screws, bolts and nuts	4.0%	0.02	0.2%	8.1
741539	Other copper threaded products	4.0%	0.02	0.2%	7.0
761610	Aluminum bolts, nuts and similar parts	5.0%	0.37	4.3%	184.1
79070020	Zinc screws, nuts, bolts and similar parts	2.5%	0.00	0.0%	0.0
830820	Hollow rivets or cotter rivets made of base metals	10.0%	0.02	0.2%	19.0
Total			8.48	100.0%	4239.5

Source: Taiwan Customs and trade data by Taiwan Institute of Economic Research

## Export of Taiwan Fasteners to the U.S. in 2020 and Estimated Influence

Regarding export, **Table 3** lists the trend of Taiwan's fasteners export to the U.S. and the estimated influence. The U.S. imposes a relatively larger range of tax between 0% to 12.5% on Taiwan's fasteners, and there are six tax-free items under this category. There remain 16 items that should be proposed as exempted items in Taiwan's future negotiation with the U.S.

The value and proportions of the top 3 fasteners exported from Taiwan to the U.S. in 2020 were iron or steel screws and bolts (at NTD 26.13 billion, making up 49.4%), iron or steel nuts (NTD 8.39 billion, 15.9%), and iron or steel self-tapping screws (NTD 8.16 billion,

15.4%). These three items make up a large proportion of Taiwan's export value to the U.S. and the market share there, but only iron or steel nuts are entitled to tax reduction. If Taiwan and the U.S sign the trade agreement in which the U.S agrees to lower the tax on Taiwan's fasteners, Taiwanese companies will have around NTD 2.3 billion less to spend on tax every year. In the give and take where Taiwan seeks tax reduction from the U.S., Taiwan should keep an eye that the proposed content of tax reduction should be better than the content of FTA which the U.S. signed with countries (such as South Korea) that rival with Taiwan, just in case that could put Taiwanese fastener companies on a weak spot in global competition.

**Table 3. Export of Taiwan Fasteners to the U.S. in 2020 and Estimated Influence**

Unit: NTD 100 Million; %

HS Code	Items	U.S. Tax	Export Value	Export Proportion	Estimated Tax Income for the U.S. (Tax Reduction for Taiwan)
731600	Iron or steel anchors, grapnels and parts thereof	0.0%	0.39	0.1%	0.00
731700	Iron or steel nails, tacks and similar parts	0.0%	17.95	3.4%	0.00
731811	Iron or steel automotive screws	12.5%	0.84	0.2%	0.11
731812	Other wood screws made of iron or steel	12.5%	33.98	6.4%	4.25
731813	Iron or steel screw hooks and screw rings	5.7%	0.12	0.0%	0.01
731814	Iron or steel self-tapping screws	7.0%	81.65	15.4%	5.72
731815	Other iron or steel screws and bolts	4.5%	261.30	49.4%	11.76
731816	Iron or steel nuts	0.0%	83.91	15.9%	0.00
731819	Other iron or steel threaded products	5.7%	8.19	1.5%	0.47
731821	Iron or steel spring washers and other locking washers	5.8%	1.24	0.2%	0.07
731822	Other iron or steel washers	0.0%	12.24	2.3%	0.00
731823	Iron or steel rivets	0.0%	4.72	0.9%	0.00
731824	Iron or steel cotters and cotter pins	3.8%	3.11	0.6%	0.12
731829	Other iron or steel non-threaded products	2.8%	7.49	1.4%	0.21
741510	Copper nails, tacks and similar parts	2.5%	0.14	0.0%	0.00
741521	Copper washers (including spring washers)	3.0%	0.21	0.0%	0.01
741529	Copper bolts, nuts and similar parts	3.0%	0.32	0.1%	0.01
741533	Copper threaded products including screws, bolts and nuts	2.3%	6.57	1.2%	0.15
741539	Other copper threaded products	3.0%	2.46	0.5%	0.07
761610	Aluminum bolts, nuts and similar parts	5.5%	1.65	0.3%	0.09
79070020	Zinc screws, nuts, bolts and similar parts	3.0%	0.00	0.0%	0.00
830820	Hollow rivets or cotter rivets made of base metals	0.0%	0.33	0.1%	0.00
Total			528.81	100.0%	23.04

Source: Taiwan Customs and trade data by Taiwan Institute of Economic Research

## The Give and Take in the Talks Before the Signing of U.S.-Taiwan BTA

### ● Fastener Materials

Taiwan's steel import has been tax free since 2004. The steel and aluminum which the U.S exports to Taiwan are tax free. However, the steel and aluminum exported from Taiwan to the U.S. is still subject to Section 232 on the U.S. side. Although Taiwanese officials have expressed concerns to the U.S. in the TIFA conference in June and hoped the U.S. would quickly re-examine Section 232 on a reciprocal basis to retract the tax on Taiwan's steel exported to the U.S., there is only a small fraction of American steel and aluminum that constitutes the material source of Taiwan's fasteners; therefore, the negotiation on fastener materials poses little impact on Taiwan's fastener industry.

### ● Fastener Products

Taiwan is one of the sources of fastener import for the U.S., and South Korea as a rival to Taiwan is the sixth largest source of fastener import for the U.S.. Therefore, Taiwan should make claims for a better FTA deal than South Korea's in terms of the conditions for tax exemption during the negotiation. Further, Taiwan should seek exemption on products under the HS Code 7318 which are currently taxed at 5% by the U.S.



As an example, iron or steel screws and bolts (HS Code 731815) will be a critical item for seeking tax exemption from the U.S., and therefore, should be included into the first list of items for BTA negotiation to make for a higher price advantage for Taiwan's high quality fasteners entering the U.S. market. Regarding less competitive Taiwanese fasteners, the value of fasteners that Taiwan imports from the U.S. is not much and therefore the U.S. would gain less benefits (NTD 42.39 million) from tax exemption on fasteners even if the U.S. were to ask for it. On the principle of fair trade, considering that the value that goes from Taiwan to the U.S. is much higher than the case vice versa, the whole situation will be favorable to Taiwan. The outcome of the give and take makes little impact on Taiwan's fasteners.

Additionally, it is worth mentioning the deployment of Taiwanese companies on distribution in the U.S. Brighton-Best International, a joint venture between Ta Chen International and Taiwanese steel companies (including Taiwan CSC, Fang Sheng Screw, Jinn Her Enterprise, etc.), acquired the once-top American alloy steel fastener distributor Brighton-Best, and then started global marketing under the brand called Brighton-Best International (BBI). In 2014, BBI became the largest standard fastener importer and distributor in the U.S., integrating the distribution of steel and fasteners in the the U.S. market. If Taiwan and the U.S. make it to sign the BTA, it will strengthen the combined synergy of Taiwanese companies' manufacture and distribution in the U.S. market.

## Business Opportunities for Taiwanese Companies in U.S. Trillion Infrastructure Plan, Evaluated on Fastener Unit Price

Besides trading values, we can use average unit price as a precursor to evaluate bilateral fastener trade between Taiwan and the U.S. Table 4 and Table 5 show the import and export unit prices for Taiwan/U.S. bilateral trade. In terms of import, Taiwan imports fasteners from the U.S. at NTD 1,998.8 per kilogram, much higher than the average (NTD 231.5 per kilogram) of Taiwan's import from the world. In terms of export, Taiwan exports fasteners to the U.S. at NTD 80.9 per kilogram, lower than the average (NTD 80.6 per kilogram) of Taiwan's export from to the world. Therefore, Taiwanese fastener companies developing the U.S. market should not be complacent about themselves being the top import source for the U.S. They should think about ways to speed up progression towards high-value fasteners.

**Table 4. Average Import Price of the Top 3 American Fasteners Imported into Taiwan in 2020**

HS Code	Product Name	Import Value (NTD)	Import Volume (Ton)	Average Import Unit Price (NTD)
7318159000	Other iron or steel screws and bolts	310 million	199.3 tons	NTD 1,533.3/kg
7318190000	Other steel threaded products	130 million	22.1 tons	NTD 5,820.5/kg
7318160000	Iron or steel screws and nuts	110 million	69.2 tons	NTD 1,649.8/kg
Taiwan's import from the U.S. in 2020		850 million	424.1 tons	NTD 1,998.8/kg
Taiwan's import from the world in 2020		4.87 billion	21,026.6 tons	NTD 231.5/kg

Source: Taiwan Customs and trade data by Taiwan Institute of Economic Research

**Table 5. Average Export Price of the Top 3 Taiwanese Fasteners Exported to the U.S. in 2020**

HS Code	Product Name	Import Value (NTD)	Import Volume (Ton)	Average Import Unit Price (NTD)
7318159000	Other iron or steel screws and bolts	26.13 billion	343 thousand tons	NTD 76.2/kg
7318160000	Iron or steel screws and nuts	8.39 billion	84 thousand tons	NTD 99.4/kg
7318140000	Self-tapping screws	8.17 billion	108 thousand tons	NTD 75.8/kg
Taiwan's export to the U.S. in 2020		52.88 billion	654 thousand tons	NTD 80.9/kg
Taiwan's export to the world in 2020		122.23 billion	1.42 million tons	NTD 80.6/kg

Source: Taiwan Customs and trade data by Taiwan Institute of Economic Research

The trillion dollar infrastructure plan after Biden took presidency makes for an important business opportunity for Taiwanese fastener companies to take a share in the U.S. market, given the backdrop of the U.S. policy to mitigate China's influence. The traffic infrastructure will cost USD 621 billion, and electric vehicle related investment and demand will largely increase due to factors such as increased demand for charging stations, as well as the U.S. policy to prohibit Chinese EV makers from going public in the American soil. Taiwanese fastener companies see opportunities in the U.S. modern revamping of public transportation such as roads, bridges, railway and seaports. The infrastructure for the Internet, power water facilities will cost USD 311 billion. The construction of high-speed Internet, and the upgrade on power facilities and pipelines in the U.S. will provide opportunities for Taiwanese fastener companies. No matter how it goes for the U.S./China trade war and Taiwan/U.S. BTA, Taiwan must dedicate itself to upgrading down-stream metal industries such as fasteners and hand tools, and develop high value-add fasteners to improve industrial competitiveness. This will ensure Taiwan fastener industry can enhance its trading role in the U.S./China trade war and continue to expand its share in the global market. ■