



台美貿易協定對扣件緊固工具產品之影響剖析

# The Effect of U.S.-Taiwan Bilateral Trade Agreement on Fastening Tools

## Introduction

The U.S. has long been an important export destination for Taiwan. The bilateral trade value between the two countries exceeds NTD 2.43 trillion. In the late phase of the U.S.-China trade war and when Taiwan and the U.S. came closer in their economic relationship, the TIFA (Trade and Investment Framework Agreement) Meeting which was held back abruptly in 2016 was resumed on June 30, 2021. The meeting focused on deepening the bilateral relationship and assisting Taiwan in post-COVID recovery. In the meeting, Taiwan expressed the intention to sign the BTA (Bilateral Trade Agreement). Both countries will continue to increase interaction to solve trade issues. There is a difference between BTA and FTA (Free Trade Agreement). The purpose of FTA is to achieve an integrated economy, remove trade barriers (such as tariff and trade quota), allow cargoes and services to go freely between two countries, and require 90% mutual tariff reduction. The purpose of BTA is to open up domestic market for both countries, withdraw most of the tariffs or non-tariff barriers, mutually provide preferential trade protocols, and the national power and bargaining chips will determine which side (the U.S. or Taiwan)

will benefit. One of the decisions made in the TIFA meeting was that both countries will work together to push for necessary circulation of resources and speed up custom clearance. Taiwan exports over 90% of fastening tools to the U.S., making itself a highly export-oriented country to the U.S. in terms of this product category. Therefore, if the BTA is signed between the U.S. and Taiwan, it will have a great influence on Taiwanese companies.

With the possibility of the U.S. and Taiwan signing the trade agreement, the critical task for Taiwan is to gain better preferential tax or favorable conditions from negotiations for Taiwanese hand tool industry. This article defines fastening tools as hand-held tools for tightening or loosening fasteners including screws, nuts, nails, and bolts. It will focus on and analyze the export and import trend between the U.S. and Taiwan in recent years. It will analyze the influence on the industry before and after the signing of the agreement, and propose a corresponding strategy as a reference for Taiwanese fastener and hand tool companies.

## Bilateral Trade Trend of Fastening Tools Between the U.S. and Taiwan in Recent Years

Table 1 shows the import and export of fastening tools between Taiwan and the U.S. as well as between Taiwan and the whole world. In import, Taiwan imported NTD 2.41 billion worth of fastening tools from the world in 2020, with a 4.21% CAGR for the last 7 years. The country imported NTD 60 million worth of fastening tools from the U.S., with a 2.29% CAGR for the last 7 years. The fastening tools imported from the U.S. took up 2.7% to 3.0% in proportion with little fluctuations and the proportion was down 1.84%.

This is a favorable factor for future trade talks between Taiwan and the U.S., meaning that Taiwan is less dependent on the U.S. regarding this type of product. The result of the negotiation between Taiwan and the U.S. has limited impact on Taiwan's domestic industries. Taiwan can seek to gain full tax exemption on fastening tools exported to the U.S., based on the principle of fair trade.

In export, Taiwan exported NTD 28.72 billion worth of fastening tools to the world in 2020, with a 0.85% CAGR for the

last 7 years. Taiwan exported NTD 12.45 billion worth of fastening tools to the U.S. in 2020, with a 8.23% CAGR for the last 7 years, much higher than the CAGR of export to the world. Additionally, the proportion of fastening tools exported to the U.S. grew from 28.4% in 2014 to 43.3% in 2020. The proportion of the U.S. market inches closer to 50%, and for the past 7 years this market has had a CAGR of 7.33%. It shows evidently increasing importance of the U.S. market to Taiwanese fastening tool companies, meaning that fastening tools will be critical products for Taiwan to seek tax exemption from the U.S. in future bilateral trade negotiations.

**Table 1. Fastening Tool Import & Export Trend of Taiwan**

Unit: NTD 100 Million; %

Year	2014	2015	2016	2017	2018	2019	2020	CAGR
Import from the U.S.	0.6	0.5	0.5	0.5	0.5	0.6	0.6	2.29%
Import from the World	18.9	18.1	19.5	19.2	20.3	22.5	24.1	4.21%
Proportion of the U.S. in Taiwan's Import	3.0%	2.7%	2.5%	2.8%	2.7%	2.5%	2.7%	-1.84%
Export to the U.S.	77.4	90.6	95.2	95.8	107.6	124.6	124.5	8.23%
Export to the World	273.0	280.1	275.9	291.6	308.8	317.7	287.2	0.85%
Proportion of the U.S. in Taiwan's Export	28.4%	32.3%	34.5%	32.9%	34.8%	39.2%	43.3%	7.33%

Source: Taiwan custom trade data

## ➤ Import of U.S. Fastening Tools to Taiwan in 2020 and Possible Influence

Based on the data from the U.S. and Taiwan Customs and WTO, **Table 2** lists the trend of U.S. fastening tools import to Taiwan and the possible influence. Taiwan imposes 5% to 10% taxes on this product category and there is no tax-free item under this category. The top 3 fastening tools imported from the U.S. into Taiwan in 2020 were unadjustable hand-operated wrenches and spanners (NTD 16 million, taking up 24.0%), pliers, clamps and the like (NTD 12 million, 18.3%), and adjustable hand-operated wrenches and

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spanners (NTD 10 million, 15.7%). Overall, the import values were not large. If Taiwan and the U.S. sign the trade agreement, Taiwan will lower the taxes on fastening tools imported from the U.S. and the decrease in tax income will be around NTD 5.89 million per year which is within the acceptable range.

**Table 2. Import of U.S. Fastening Tools to Taiwan in 2020 and Possible Influence**

Unit: NTD 100 Million; %

HS Code	Items	Taiwan Tax	Import Value	Import Proportion	Estimated Tax Income to Taiwan (NTD 10,000)
8203200000	Pliers, pincers, tweezers and similar tools	6.0%	0.04	6.5%	25.4
8203400010	Bolt croppers and similar tools	10.0%	0.00	0.0%	0.3
8204110000	Unadjustable hand-operated wrenches and spanners	10.0%	0.16	24.0%	155.5
8204120000	Adjustable hand-operated wrenches and spanners	10.0%	0.10	15.7%	101.8
8204200000	Interchangeable wrenches and sockets with or without handles	10.0%	0.08	12.6%	81.3
8205100010	Drilling, thread-cutting and thread-tapping tools	10.0%	0.00	0.2%	1.5
8205100020	Other drilling, thread-cutting and thread-tapping tools	10.0%	0.02	3.1%	20.0
8205200000	Hammers and sledge hammers	6.0%	0.00	0.2%	1.0
8205400000	Screwdrivers	10.0%	0.04	6.6%	42.7
8205592000	Hole punchers, staplers and the like	10.0%	0.00	0.0%	0.1
8205700000	Pliers, clamps and the like	10.0%	0.12	18.3%	118.7
8467112000	Portable pneumatic drivers	5.0%	0.00	0.7%	2.3
8467113000	Portable pneumatic wrenches	5.0%	0.07	10.6%	34.3
8467293000	Electric socket wrenches	5.0%	0.01	1.3%	4.3
Total			0.65	100.0%	589.1

Source: Taiwan custom trade data

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## Export of Taiwanese Fastening Tools to the U.S. in 2020 and Possible Influence

**Table 3** lists the trend of Taiwan's fastening tools export to the U.S. and the possible influence. The U.S. imposes a relatively larger range of taxes between 0% to 10% on this product category, and there are three tax-free items under this category, including hole punchers, staplers and the like, portable pneumatic wrenches, electric socket wrenches. The other 12 items should be proposed as exempted items in future negotiations between Taiwan and the U.S.

The top 3 fastening tools exported from Taiwan to the U.S. in 2020 were interchangeable socket wrenches with or without handles

(NTD 4.66 billion, taking up 37.5%), unadjustable hand-operated wrenches and spanners (NTD 1.76 billion, 14.2%), and screwdrivers (NTD 1.31 billion, 10.6%). These three items take up a large proportion of Taiwan's export value to the U.S. and market share there, but currently are not entitled to tax reduction. If Taiwan and the U.S. sign the trade agreement in which the U.S. agrees to lower the taxes on Taiwan's fastening tools, Taiwanese companies will have around NTD 833 million less to spend on taxes every year. In the give and take as 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 signed between the U.S. and the countries that are rivals to Taiwan.

**Table 3. The Trend of Taiwan's Fastening Tools Export to the U.S. and the Possible Influence**

Unit: NTD 100 Million; %

HS Code	Items	U.S. Tax	Export Value	Export Proportion	Estimated Tax Income to the U.S. (Tax Reduction for Taiwan)
8203200000	Pliers, pincers, tweezers and similar tools	3.0%	10.24	8.2%	0.31
8203400010	Bolt croppers and similar tools	4.5%	0.10	0.1%	0.00
8204110000	Unadjustable hand-operated wrenches and spanners	9.0%	17.67	14.2%	1.59
8204120000	Adjustable hand-operated wrenches and spanners	9.0%	10.80	8.7%	0.97
8204200000	Interchangeable wrenches and sockets with or without handles	9.0%	46.69	37.5%	4.20
8205100010	Drilling, thread-cutting and thread-tapping tools	6.2%	0.03	0.0%	0.00
8205100020	Other drilling, thread-cutting and thread-tapping tools	6.2%	0.75	0.6%	0.05
8205200000	Hammers and sledge hammers	3.0%	4.98	4.0%	0.15
8205400000	Screwdrivers	6.2%	13.16	10.6%	0.82
8205592000	Hole punchers, staplers and the like	0.0%	1.29	1.0%	0.00
8205700000	Pliers, clamps and the like	5.0%	4.61	3.7%	0.23
8467112000	Portable pneumatic drivers	4.5%	0.19	0.2%	0.01
8467113000	Portable pneumatic wrenches	0.0%	6.30	5.1%	0.00
8467293000	Electric socket wrenches	0.0%	7.69	6.2%	0.00
Total			124.49	100.0%	8.33

Source: Taiwan Customs trade data

## Analyzing the Give and Take Before the Signing of U.S.-Taiwan BTA

### A. Taiwan's Request for the U.S. to Lower Taxes on Fastening Tools:

1. Trade aspect: Seeking tax reduction from the U.S. on Taiwan's fastening tools. One of the items with more competitiveness is interchangeable wrenches and sockets with or without handles with or without handles, which I recommend should be included in the initial request list. Doing this should help Taiwan's quality tools enter the U.S. market and help U.S. manufacturers, sellers and consumers get access to products with lower costs. If both parties lower the taxes to zero, it should drive the bilateral trade of fastening tools between Taiwan and the U.S. and expand the market share of the hand tool industry for both countries, and work together to respond to China's increasing global market share in fastening tools.

2. Industry aspect: Facilitating bilateral collaboration of the fastening industry between Taiwan and the U.S. If the U.S. agrees to lower the taxes on fastening tools exported from Taiwan, it can: (1) strengthen collaboration between Taiwan's and U.S. fastening tool industries; (2) effectively slow down the global market share of China's fastening tools; (3) strengthen competitiveness of U.S. hand tool manufacturers (Stanley Black & Decker, etc.) and distributors (KOHLEER, Wal-mart, Home Depot, Lowe's, Menards, Tractor Supply, etc.); (4) integrate Taiwan's and U.S.' fastening tool supply chains and increase global market share.

### B. The Government's and Companies' Corresponding Strategies to the U.S.-Taiwan Trade Agreement

1. The U.S. is the largest export market for Taiwan's fastening tool industry, accounting for 43.3%, which further increased after the U.S.-China trade war, much higher than the market share of China as the second largest export market for Taiwan, as well as the market share of Germany as the third largest export market for Taiwan. If Taiwan and the U.S. can sign the BTA in the end, it will be a positive encouragement for Taiwanese fastening tool companies.
2. Currently, the U.S. still imposes taxes on socket wrenches exported in great volumes (at a total value of NTD 4.66 billion) from Taiwan, which is an important issue to be negotiated in the future with the U.S. Allowing U.S. fastening tools entering Taiwan to be exempted from taxes won't create too many impacts because Taiwan's fastening tool is a thin one. Imposing no tax on imported U.S. hand tools could offer consumers different price options and the impact from this is very limited.
3. No matter how it goes after the U.S.-China trade war and the U.S.-Taiwan BTA, Taiwan still has to transform the downstream steel industries (fasteners, hand tools, etc.) to develop high-value metal products and increase industrial competitiveness, in order to make sure that Taiwan's fasteners and fastening tool industries can turn crises into opportunities in the trade war and continue to increase global market share.

## ➤ Conclusions and Suggestions

2020 was no doubt a turbulence to Taiwan and the fastener and hand tool industries. From the trade war to COVID, the resumption of TIFA meeting and the probable signing of BTA, the impact on the industry is quite large. Amid the COVID pandemic and the preparation stage for U.S.-Taiwan BTA, it is suggested that, in addition to providing economic relief measures, Taiwanese companies should adjust their corporate structures and employ business strategies ahead of time, so that there will be enough capacity to cope with when the COVID pandemic slows down and the orders pour in. "Resilient supply chain" is an important task for Taiwanese companies in the post-pandemic era. The supply chain that used to center on "efficiency" will change to center on "resilience". It will inevitably restructure, regionalize, localize and decentralize.

In the U.S.-China trade war, the ultimate factor that determines which country will gain the most orders transferred is the day-to-day strengthening of competitiveness of each hand tool manufacturing country and company. Taiwan is not the definite beneficiary to get transferred orders, so my suggestion for Taiwanese companies is that derailing from the usual profit loss and gain is not the only basis for determining success. Laying the foundation for the industry and improving technology is the key to success.

Taiwanese fastener and hand tool companies can also restructure the supply chain to strengthen the international and regional role of Taiwan's products, which will go from CP (Cost Performance) to TP (Trust Performance; Taiwan Performance) oriented. In this way, the world will recognize Taiwan's fastening tools as high quality and trust-worthy products. Taiwanese government should strive to sign FTA with countries in addition to the U.S. The U.S. accounts for around 40% of Taiwan's hand tool export, so the U.S.-Taiwan BTA is all the more important for the development of Taiwan's fastening tools. I suggest Taiwanese companies should keep an eye out and report the industry's status quo to the government if necessary, so the government can judge from it when negotiating with the U.S. and seek the largest mutual interest for bilateral trade. □

