

# Is Requiring Extra Overseas Plants on Taiwanese Fastener Owners Truly Necessary?

## First and Foremost is to Pinpoint Impact Range and Gain Buyers' Confidence

### Are You Tensed up About the Taiwan Strait Tension?

In our interaction with fastener associations, business owners and global exhibitors, we observed that a number of overseas buyers are worried about one thing: "If there is a war in the Taiwan Strait, will the supply chain of Taiwan fasteners be cut off?". These buyers are beginning to hope for Taiwanese owners to establish factories in Southeast Asia or other regions (which forms the concept dubbed as "Taiwan +1", where the plus mark denotes "extra" and "+1" denotes "an extra location"). They expect Taiwanese owners to build production lines in other countries to avoid broken supply chains. The Russian-Ukrainian war has lasted for more than 500 days, leading to global inflation, rising interest rates, soaring prices and public inconvenience. The Global Misery Index pushed up by this war has been deeply felt by everyone. If China starts a war against Taiwan, the index will undoubtedly exceed that of the Russian-Ukrainian war by several times, and it will lead to global chaos. Undeniably, the tension between Taiwan and China is largely influenced by the rivalry and friction between the United States and China, which indirectly leads to the need for Taiwan to make policy choices. China's military and political moves have undisputedly added up to the heating up of the "+1" trend. Nevertheless, it is worth clarifying whether this trend affects Taiwan fastener industry. Therefore, this article will share our experiences and a few points for thought through the following different perspectives.

### Taiwan Has No Intention and Prerequisites to Provoke China

Taiwan has never wanted a war, nor will it initiate one. Taiwan's status quo is influenced by geopolitics and historical burdens. The people of Taiwan know in their hearts that they do not want to go to war to achieve some kind of goals.

Taiwan has had a very close relationship with China. Over the past 30 years, Taiwan has invested more than US\$200 billion in China, and more than 10,000 Taiwanese companies have set up factories in China. There are more than 100 Taiwanese fastener companies operating in China. According to Taiwan's Ministry of Finance, Taiwan's exports in 2021 reached a record high of about US\$446.4 billion, of which 42% (US\$187.4 billion) were exported to China, and the trade surplus for Taiwan was nearly US\$60 billion, which shows quite a large China's economic contribution to Taiwan.

There are more than 500,000 Taiwanese people working in China and more than 10,000 Chinese people working and studying in Taiwan. According to Taiwanese government's statistics, there are more than 100,000 registrations of intermarriage between Taiwanese and Chinese people, so a war would only result in the separation of family and bitterness on both sides of the Taiwan Strait. **There is complicated sentiment between Taiwan and China, and the economic development they have built together has been very successful, so Taiwan will not make up a reason to go to war.** Leaders on both sides of the Taiwan Strait should have the wisdom to choose a way of life that is mutually acceptable and allows for coexistence, rather than destroy decades of development on the spur of the moment.

### The Price of War is High

If China were to attack Taiwan, it would first have to face the world's largest maritime war in history. The Taiwan Strait separating the two sides is 77 to 140 kilometers wide, and for those with a military background, it is not difficult to understand the difficulty of such a landing operation. According to official figures, Taiwan currently has 700,000 reservists who can respond immediately in the event of a war. Taiwan has also acquired many fine weapons through the supply of semiconductors and procurement of military weapons, and it is believed that Taiwan has enough power to defend itself. As a saying goes, the winner takes the throne as the king (a hero in history) and the loser rots in the river of history. **Many overseas experts have warned of the risks and consequences of a cross-strait war. In the event of a war, Taiwan and China's respective economies would be destroyed, and it would take decades to rebuild. Who can afford such a heavy burden?**



Fig. 1. Taiwan's Global Fastener Export Value in the Past 20 Years

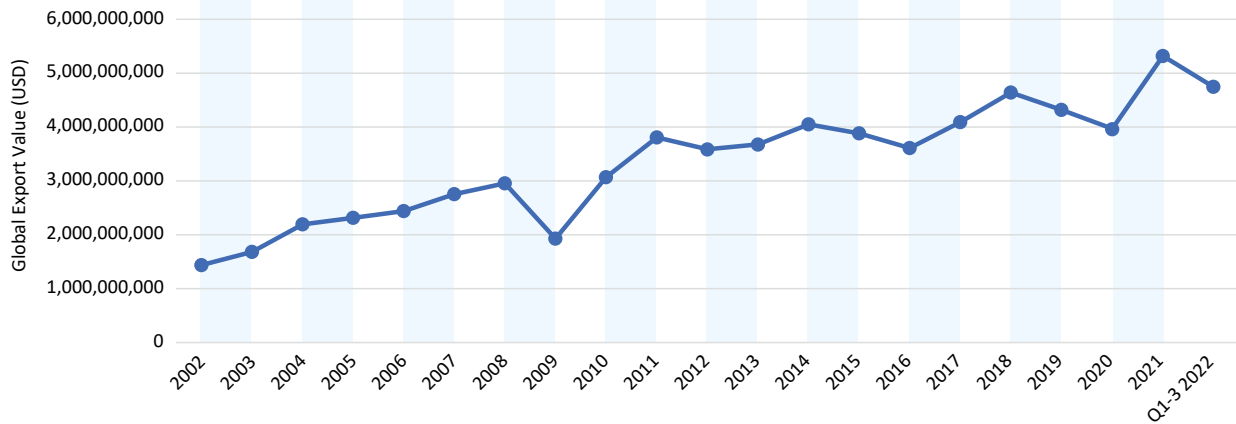
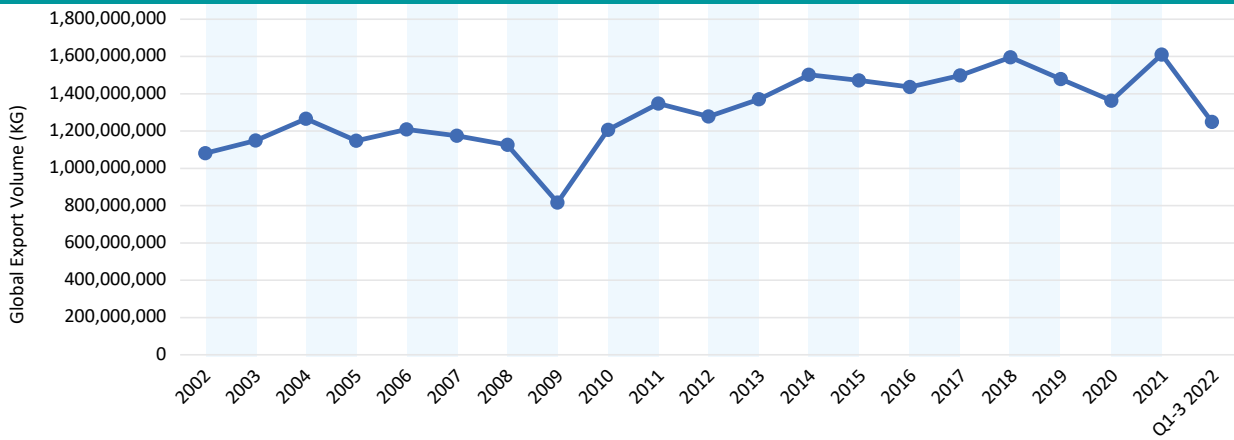


Fig. 2. Taiwan's Global Fastener Export Volume in the Past 20 Years



## If There is a War Across the Taiwan Strait, Will it Affect the Development of Fastener Industry?

### Which Part of Taiwan Fasteners is Replaceable and Which Part is Not?

The global fastener production and sales market size is US\$85 billion (20 million tons of fasteners produced), of which Taiwan's size is about US\$5 billion (1.5 million tons). Compared to Taiwan's semiconductors which take up 90% of global market share, Taiwan's share of fasteners in the global market is relatively small. Taiwan's fasteners fall in the middle of the price range on average, and in the event of a war, it would not be difficult to find other countries to buy the same level of products as Taiwan. However, it is necessary to point out that, although Taiwan fasteners can be replaced in terms of price, Taiwan's R&D capability, production management, credibility, its supply chain which is the most complete in the world, as well as high value-added products and service satisfaction, are Taiwan's unique and irreplaceable features.

### Fasteners are Not a Critical Tactical Asset

Fasteners are not an extremely critical and tactical material like semiconductors. If a war breaks out, the possibility of Taiwanese fastener factories being attacked is not high. Taiwan already has experience in establishing a complete supply chain; in addition, many Taiwanese fastener companies have set up bases overseas which have the ability to supply goods, so even if there is a war, they can quickly resume production of fasteners. On the whole, if there is a war, it won't amount to a nuclear level of destruction on Taiwanese fasteners, and it is less likely to cause a major global panic and a major shortage of goods.

### Taiwan's Fastener Trend Line Remains Unaffected

Taiwan's political ground, economic development and social security is very stable. For the past three years this had never been affected by war concerns and COVID. Even in the past 20 years, Taiwan's fastener exports have shown a 20-degree upward trend line (see Figure 1 and 2), which will only be subject to the global economic climate, but not to political and war factors.



## Will Adding Overseas Locations Necessarily Translate to Lower Price Offer?

It is undeniable that some of the Taiwanese owners has cooperated with buyers' requests by going to Vietnam, Thailand, Indonesia, Malaysia and other places to build factories in order to diversify the risk. However, Taiwan fastener industry mostly consists of small and medium-sized enterprises (SMEs) which don't have a high level of manpower, material resources and capital. The global fastener market climate lately is not as good as expected, and this comes with the upcoming carbon tax and costs for environmental protection, so going overseas to set up factories would mean a lot of pressure. In fact, **as far as the current situation, the cost of setting up production lines in other countries is no less than the cost of production in Taiwan, which may obstruct Taiwanese owners from providing buyers with better prices and service satisfaction.**

Considering all the above factors, there is no longer any requisite for direct friction between Taiwan and China. Taiwan has nothing to gain by starting a war, and furthermore China as the world's largest market is very much in line with Taiwan's economic development needs.


## In the Face of Asia-Pacific Tensions, We Need Everyone on Board to Have More Confidence in Taiwanese Fasteners

After clarifying the scope of impact of Taiwan Strait tensions on Taiwan's fastener industry, we believe that buyers don't necessarily need to ask Taiwanese owners to keep up with the "+1" trend because, as already mentioned, doing so won't necessarily lead to better pricing for buyers. That said, it is not unreasonable for buyers to be concerned, and this underscores the many ways in which Taiwanese companies must make buyers feel more confident in the safety, stability and strength of Taiwan's fastener supply. As a medium for communication, Fastener World Magazine takes the responsibility to analyze the scope of impact for suppliers and buyers, hoping to open up more room for communication.


We believe buyers who have visited Taiwan would be aware that there is no war atmosphere in Taiwan. What's more, the New Taiwan Dollar and the US Dollar have become two of the world's most appreciated currencies. The price of land in Taiwan has tripled, and there has been no surge of emigration. In addition, on July 11 the U.S. Department of State maintained Taiwan's Travel Alert Risk at the safest level. Fastener World would like to urge global buyers that Taiwan fasteners are one of the most resilient, durable and reboundable industries in the world, and we have cited Figures 1 and 2 as evidence of this. **Taiwan is stepping out into the world in a way that it never could before, and because of this, we need buyers around the world to see the strengths of Taiwan fasteners and have more confidence in them.** so that all of us can together continue to create mutual benefits for Taiwan and the rest of the world. ■

Article by Dean Tseng, Fastener World  
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