The U.S. reciprocal tariffs have come into effect since April 09, causing a significant impact on many products exported to the U.S. from around the world. In addition, pursuant to Section 232, specific steel and aluminum products from all over the world have been subject to a 25% tariff since March 12, which is on top of the basic tariff rates already imposed on exports to the U.S., causing even worse impact on manufacturers and U.S. importers. As a result, some importers have been forced to hold back their shipments or simply abandon their orders. I'd like to remind the suppliers that since President Trump's tax measures have been changing over the past few months, some of the info about the calculation and application of the tax rate on fasteners going to the U.S. may be incorrect. In particular, it should be noted that not all rates are applicable to fasteners. For example, the 32% reciprocal tariff imposed on Taiwan (note: Trump has announced a 90-day moratorium on April 09) is not applicable to fasteners.

What Tax Rate are Fasteners Actually Subject to?

Currently, there are two types tariffs applicable to fasteners exported to the U.S. One is the basic tariff rate (e.g., 12.5% for wood screws, 6.2% for self-tapping screws with the diameter less than 6mm, and tariff-free for nuts), and **the other one is the tariff rate of 25% pursuant to Section 232 on steel and aluminum products (including derivative products).** That is to say, on the basis of non-MFN or non-special countries, a wood screw imported into the U.S. will be subject to a combined tax rate of 37.5% (12.5% + 25%).

Good or Bad News? Watch Out for the Following Impact of Reciprocal Tariffs

Although some countries are entitled to half or exemptions on specific items due to their FTA with the U.S., resulting in a difference of up to 12.5% in the final total tariff rate, there is basically no exception to the 25% tariff increase. This may be good news for companies in Taiwan, China or other Southeast Asian countries as they won't have to face pressure from higher reciprocal tariffs in the short term, but the conservative market sentiment may still affect customers' willingness to place orders in the near future. According to TFTA Chairman, orders from U.S. customers may temporarily decline by 30% after the implementation of the 25% tariff, and the demand may start to recover only after local inventories bottom out. Other concerns are that fasteners are closely related to many industries and other industries directly slashed by reciprocal tariffs (e.g., precision machinery or CNC machining equipment) may therefore reduce their consumption and lower the demand. Other fastener SMEs that do

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not have the capital to set up factories in the U.S. to avoid high tariffs may also shift their focus to the development of non-U.S. markets, indirectly resulting in more fierce competition in these non-U.S. markets.

Some industry players told Fastener World that the reciprocal tariffs imposed by the U.S. on various countries (especially China) may make some orders switched to Taiwanese manufacturers in a short period of time (it is heard that some companies have already had urgent orders recently). It is understood that, in response to the 25% tariff, some Taiwanese companies have reached a tacit agreement with U.S. customers to share tariffs in order to reduce the impact, thus strengthening the force of switching orders to Taiwan. Coupled with the prospect of European market expected to be promising after Fastener Fair Global 2025. the performance of Taiwan's production capacity is very likely to return to normal this year. However, in the long run, it remains to be seen whether the effect of such an order switching can be sustained. In light of the fact that Trump's policies can change from one day to the next, an assessment of the actual impact of these tariffs on the fastener industry may not be clear until the outcome of the negotiations on reciprocal tariffs has been finalized in H2 this year. Before reaching an agreement with the U.S. administration, **maybe the Taiwan government can assist the local fastener industry to tide over the difficult times first by way of tariff subsidies, tax rebates for exports to the U.S., etc., and there should be more resources and units (e.g., the National Development Council or IDA of MOEA) to guide the industry to capitalize on opportunities for digital transformation and smart manufacturing**, so as not to let the fastener industry, which has been supporting the development of Taiwan's economy for more than 6 decades, be eliminated in the face of competition, and turn into a situation in which only several large factories can survive and small ones can only close down their factories.

Paying Attention to the Issue of Third-Country Tax Circumvention

Whether or not a manufacturer has circumvented customs duties via a third country has been the focus of the U.S. Customs in recent years and the U.S. Customs also have guidelines for determining a product's place of origin. It is also heard that in the past some manufacturers from other countries once exported semi-finished products to third countries subject to lower tax rates for simple processing and packaging, faking them to be products produced in third countries, which, if detected, may affect the image of the same products from other counterparts in the international market. The high reciprocal tariffs previously announced by the U.S. against specific countries in Southeast Asia were more or less a sign to speculators warning them not to circumvent via third countries. The industry should still comply with the relevant international regulations and should not jeopardize the industry's long-established good image for selfish reasons.

Before the U.S. levied a 25% steel and aluminum tax on the whole world, the profit margins of Taiwanese standard fasteners had not been too much in the face of competition from their Chinese or other countries' counterparts. In the current U.S. tax algorithm for fasteners, Taiwan's profit margin has been further reduced by 25%. If the wire costs of China and other Southeast Asian countries which have been 15-30% lower than that of Taiwan are also taken into account, Taiwanese fastener companies bearing up to 60% of their manufacturing cost from wire will go into a tougher situation. The prices of wire rod and coil are definitely the most important factor that affects the profitability of manufacturers and the competitiveness of their quotations. In Q2 this year, Taiwan CSC raised NT$600 per ton for wire rod (it is understood that the average price of domestic wire rod this April was about NT$24,900 per ton), so the production costs of manufacturers definitely have increased again. In June, Taiwan CSC will hold the Q3 production and sales meeting with the industry again, and the price adjustment of wire rod will definitely become the most important concern of the industry. Some manufacturers have privately revealed that it would be best if Taiwan CSC could reduce its wire coil price per ton by NT$1,000-1,500. **If Taiwan CSC can take the impact of U.S. tariffs on the domestic industry into consideration and make more concessions on the price adjustment for Q3, coupled with the exchange rate of USD against NTD coming to 1:31, and the active introduction of innovative wire processing processes by Taiwanese manufacturers to reduce their production costs by 10-20%, the pressure on businesses should be greatly relieved** and the reduction in profit margins due to the tariff increase can be compensated. ■

Article by Gang Hao Chang, Vice Editor-in-Chief

Survive U.S. Tariff Impact?