

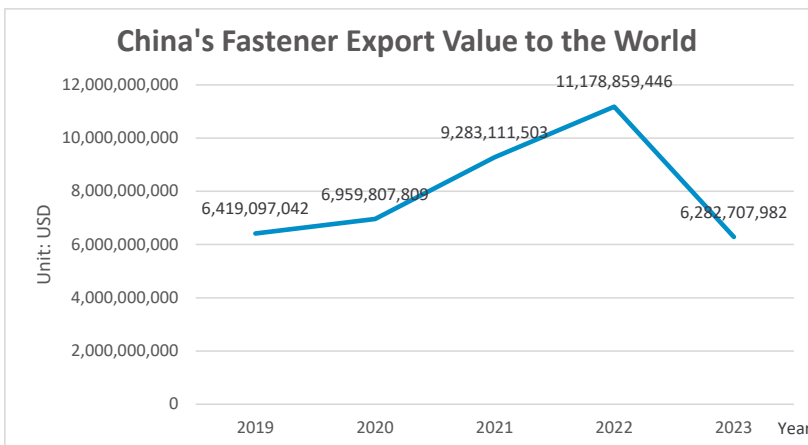
THINK GREEN

GREEN Transformation, Chinese Fasteners' New V-turn Point in Competition with the World

社论：绿色转型，中国紧固件与世界的新决战点

Strong Market Demand Despite a Plunge in Fastener Export Value

From 2019 to 2022, China's fastener export value to the world continued upward. It peaked in 2022 breaching the USD 10 billion mark. The growth margin from 2019 to 2022 alone was high at 74%, indicating a large global demand for Chinese fasteners. However, unresolved inventory destocking issues in many countries caused the export value to plunge 43% in 2023 to the USD 6 billion mark, rolling back to a level slightly below 2019's.



The top five export destinations for Chinese fasteners in 2022 were the U.S. (USD1.66 billion), Germany (USD608 million), South Korea (USD577 million), Vietnam (USD481 million), Russia (USD479 million). In 2023, the top 5 changed to Russia (USD417 million), Germany (USD414 million), South Korea (USD372

million), Japan (USD325 million), and India (USD311 million). In contrast, Russia jumped from the fifth to the first place, while the US was no longer in the top five. It is worth noting that Germany has been the second largest export destination for Chinese fasteners over the past two years, despite the EU's ongoing anti-dumping duties on Chinese fasteners. This shows that Germany as the head of the EU is still an indispensable and important trading partner for Chinese fastener companies.

CBAM to be Amended Before Formal Implementation; China Plays One of the Key Roles

Since the announcement of CBAM, there has been a wave of resistance across the world. CBAM is almost a full-range and structural impact on a country's industry and economy that can be described as "astronomical" in terms of its scale. China could face a rise of 4% to 6% in the export cost of Chinese steel products due to CBAM. China Iron and Steel Association (CISA) called CBAM a new trade barrier to Chinese exports: "If other countries adopt reciprocal and similar trade protection measures to protect their interests, it will lead to higher trade costs and an increased risk of



trade friction. We hope the EU will take into account the cost and operational challenges for downstream steel consumers resulting from changes in the import structure."

China proposed multilateral discussions at the WTO's Committee on Trade and Environment (CTE), and pointed out loopholes in CBAM including mirroring of emission reduction under EU ETS in the emission reduction of another country, the lack of global carbon intensity standards and disagreements over carbon pricing mechanisms between different jurisdictions. China expressed its stance against any form of trade or technical barriers in the name of climate change.

Specifically regarding carbon pricing, a Chinese climate policy official said that it is currently not possible to require China to set the same carbon price as EU's, because both parties set the price according to different development conditions, as well as emission targets which will take time to achieve. In 2023, the carbon prices in China hovered around RMB 55 per ton of CO₂, compared to an average price of around €80 per ton in the EU carbon market. National Center for Climate Change Strategy and International Cooperation (NCSC, China) said that carbon price is determined by many factors, including emission reduction cost and labor costs. "The gap between China's and EU's per capita income and carbon price reflects China's acceptability of emission reduction costs and China's reasonable carbon price," said NCSC.

In response to the comments from China, Gerassimos Thomas, Director General for Taxation and Customs Union Affairs of the European Commission, contributed an opinion piece to South China Morning Post in Hong Kong on November 15, 2023. He welcomed China's proposal to set up a high-level dialogue between China and the EU on CBAM, and acknowledged that it is important to do so in the fullest transparency when designing the mechanism. He mentioned his active and transparent outreach to Chinese authorities and businesses, including to EU businesses active in China, to better understand China's carbon pricing reporting system and methodologies so EU can most effectively take them into consideration after the end of the CBAM transitional period.

An in-depth investigation by Fastener World led to knowing that **China is not alone in expressing dissent**. India fired equivalently strong with straightforward critical comments, and a local press suggested that the government should strategically resist CBAM to ensure that the duty levied on Indian companies is returned to India. Furthermore, South Korea and Thailand are concerned that confidential information may be unnecessarily exposed to EU importers that are business competitors of the foreign reporting declarant. South Africa is concerned that CBAM will not only affect the competitiveness of South Africa's exports to the EU but

could also result in increased imports from countries looking for alternate markets, resulting in dumping into South Africa and other developing countries. **This phenomenon reflects the necessity for CBAM to be amended more and delicately within the next two years. From Gerassimos Thomas' response, it can be observed that China may have a critical influence in the CBAM adjustment process.**

"GREEN" Economy Holds Sway; Low-carbon-emitting Companies will Get Ahead of the Game

Regardless of any amendments made to the aforementioned CBAM, the EU has taken the first shot and is not going to turn back. Chinese fastener companies will be closely monitored by CBAM and they have to find a way out of the new carbon cost dilemma. In recent years, China's iron and steel industry has been in full swing to reduce emissions. 89 enterprises have completed a makeover toward ultra-low emission. Raw material makers are taking the lead in digging for "green" gold, and sooner or later, fasteners with close ties to European trading partners will need to take the lead in an upgrade to green manufacturing. In fact, **the press in many countries have predicted that carbon border tax mechanism will spread out across the world. The EU is just the first shot. Therefore, not only the fastener companies with a focus on Europe, but also the companies that export to the global market will not get away from the era of carbon border tax mechanism.**

In recent years, Fastener World has picked up the trend of carbon reduction during interviews with Chinese fastener business owners. In this issue's cover story, Hisener Industrial announced 2024 as its starting year of green manufacturing, released three ESG guidelines and four major carbon-reduction measures, and has provided carbon emissions data to EU clients. In addition, Jiaying Haina Fastener, specialized in photovoltaic accessories, is also eyeing the "green" business opportunity and will develop more efficient, environmentally friendly and performance-enhanced photovoltaic products in the future, becoming a key player in supporting the development of global renewable energy market. Those who grasp the "green" gold will be the leaders.

Apart from Chinese companies, European and American companies have already taken a few steps ahead of the competition. In this issue, we have included our exclusive article "Global Fastener Leaders, Their Carbon Reduction Volume and Progress" to help you know yourself and your competitors. We have also included "Less Reading Time! Compact Version of CBAM Regulation" to give you a quick understanding of the main CBAM structure.

As said in the beginning of this article, **the global demand for China's fasteners is huge. If the industry can achieve the transformation to low-carbon emission, it will become a critical chance for Chinese fastener global export to achieve a V-turn.** ■

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