

Analysis of Fastener and Car Trade Between China and USA in 2018

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The US-China trade tension or better to call it “A Potential Trade War” has caught the attention of many business communities since last year. Late 2018, China declared cutting tariffs by 15 percent imposed on cars manufactured in and imported from the U.S. This could be a good sign of stabilizing both countries’ trades, but it didn’t last long as China pulled back from that promise one month before its execution and increased the tariff on American cars to 40 percent. Previously, China had been slapping 25 percent tariffs on all imported cars, compared to the 2.5 percent duty charged by the U.S. on imports.

On the other hand, last year, US announced new tariffs on imported China-built cars including those from the U.S. auto companies. Consequently, some of the US automakers have decided not to proceed with their new production plans in China and that made the trade imbalance more sophisticated between these two countries ever than before. In the first half of the year 2018, the total number of China vehicle import decreased by 13% while the sales in China market increased by 10.2%.

With this introduction, we could easily derive the conclusion of volatile and unbalanced trade statistics in 2018 between China and USA compared with previous years. The number of US vehicle brands exports to China is not significant and it accounts for only 1 percent of total vehicles sold in China. However, the big 3 US car manufacturers still have a substantial production footprint with sale dependencies on the Chinese market.

There are four big players in OEMs in China, and the US is one of them after Germany and Japan. Another country is South Korea which is ranked the 4th place after the US. Last year the US OEM’s market share in China was about 11.6% (by June 2018) which was lower than 2016 and 2017, both with 12.6% of the total OEM market in China. This happened when China vehicle exports increased by 24.1% within the same period of time supported by its rapid advancement in technologies and regulations.

Based on the trade statistics between China and the US, auto import from US manufacturers is ranked at the 3rd largest import category from US after aerospace and oilseeds & grains. This could clarify the importance of the Chinese market for the US auto makers.

During the first two quarters of 2018, the number of China vehicle production increased by 3.9%; however if the US-China trade conflict continues the production cost for China based manufacturers will increase. This is due to the nature of this industry which is globalized more than ever with high complexity of its value chain. Therefore, US-based car manufacturers should similarly expect the higher production cost. Although many of the tariff increases have not come into effect since last year, analysts estimated nearly 2 million reduction of vehicles sales if all those new restrictions incurred.

In 2018, China’s imports from the US was about USD10.2 billion which has been reduced by more than 20% from the total value of car imports in 2017. The total number of cars exported from US manufacturers to the Chinese market was about 194 thousand units. On the other hand, the exports value to the US market from China increased by more than 20% with the total value of USD2.06 billion compared with USD 1.7 billion in 2017. The total number of cars exported to the US market from China was more than 300 thousand units.

A cooling trade relation between these two countries destructively has influenced on the future business relation between the US and China in the automotive industry and its supply chain framework. Both upstream and downstream have been suffering in a highly challenging and disputed environment including the fastener industry.

China has become the largest producer and exporter of industrial fasteners in the region supported by the presence of several small and medium players in this market. Large manufacturers keep investing in R&D and expanding their production from standard fasteners into special fasteners to support growing application-specific demand in order to remain relevant in this highly competitive and changing market. Additionally, increasing investments in vehicle manufacturing and maintenance in China support the fastener production growth in this country.

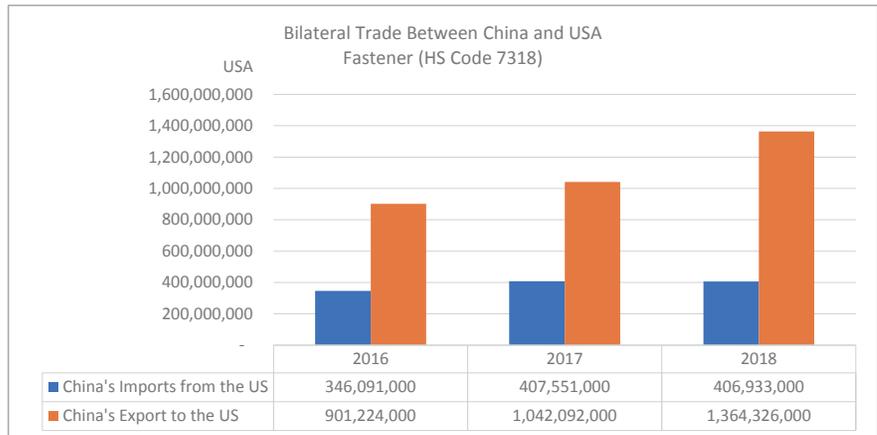
China dominates the fastener industry in Asia Pacific region, accounting for more than forty percent of the regional revenue. This is mainly because of massive production volumes of vehicles as well as production of industrial machinery in this country and the region.

The major exports destination of Chinese fasteners is the US market. Chinese manufacturers exported more than USD 1.36 billion fasteners to the US in 2018. This value is significantly higher than the total exports to the second largest exports market for Chinese manufacturers,



Russia, with about USD348 million worth of fastener exports. The third largest exports market for Chinese fastener manufacturers is Japan with the total value of USD 304 million fastener imports from China in 2018. This shows the importance of the US market for Chinese manufacturers and how the tension between these two countries can impact their business relations drastically.

In 2016, the total value of fastener imports from the US to Chinese market was about USD 346 million. This value increased by more than 17% in 2017 with the total imports value of USD 408 million. In 2018, the trade statistics did not have any growth but the imports value slightly decreased to USD 407 million. The chart below illustrates the fastener trade statistics between China and the US in the last three years. It explains that the trade dispute between these two countries has more impact on the US fasteners exports to China rather than imports.



Although China is not the major exports destination for American manufacturers, this country strategically is very important for the US manufacturers. China is the major exports destination for most of American fastener exporters after Canada, Mexico and Brazil. However, with the new NAFTA (North American Free Trade Agreement) if the tension between China and the US reduces, the fasteners exports to the Chinese market will increase in the near future.

Sources:

- PWC US-China Trade Dispute and its Impact on the Chinese Auto Market, Aug2018
- Asia Pacific Industrial Fasteners Market 2018-2025 Report by PR Newswire
- ITC, Trade Map, Trade statistics for international business development

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