

The Influence of RCEP on ASEAN's Fastener Export



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The Regional Comprehensive Economic Partnership (RCEP) has been formally signed in 2020 by the 10 ASEAN countries, China, Japan, South Korea, New Zealand and Australia. This agreement has been signed in a region with 3.4 billion people, which represent 40% of the world's population. The GDP of these 15 countries is 38.8 trillion USD, which is 30% of the world's total. This agreement can bring a huge opportunity for the members. An easier market access and less trade obstacles are some of the opportunities this agreement is expected to give to their members. In the fastener industry, technical cooperation with pioneers like Japan and South Korea will help ASEAN fastener producers develop their production lines. Regarding the international trade, ASEAN manufacturers can count on collaboration with China.

How Could ASEAN Fastener Producers Improve with RCEP?

Singapore

Singapore is a hub of trading in the ASEAN region. It is marked as one of the biggest ports in the world. Based on this position, RCEP may not generate short-term advantages for Singaporean fastener industry, but in the long-term, it may become one of the most important fastener ports in the world.

The value of Singapore's fastener trade is 726.6 million USD (409.8 million USD is generated from its imported fasteners and 316.8 million USD is generated from its exported fasteners. The fastener trade balance (exported value vs. imported value) is -93.0 million USD.

My prediction is: the fastener trade balance in this country will be close to 0 in the long term.

Thailand

Different manufacturing sectors show various degrees of fastener consumption, which is particularly high in some sectors like "automobile" in this country. The fastener industry of Thailand may benefit from RCEP through improving its supply

chain in the Asia-Pacific region. Thailand has an industrialized position in this region which can help its manufacturers get cheaper raw materials from the innovative network.

The value of its fastener trade is 1585.1 million USD (1039.3 million USD is generated from its imported fasteners and 545.8 million USD is generated from its exported fasteners). The fastener trade balance (exported value vs. imported value) is -493.4 million USD.

My prediction is: if Thai fastener producers can focus on innovative concepts in fasteners, then the main benefit of RCEP can help create a position for Thailand to become a new professional fastener country in the region, which will improve the average price of its exported fasteners.

Malaysia

The majority of Malaysia's foreign trade is with its RCEP members, so this agreement will definitely help Malaysian fastener producers and consumers establish a closer relationship with their partners. They are also able to provide higher quality of raw materials at fair prices. The value of its fastener trade is 693.2 million USD (395.0 million USD is generated from its imported fasteners and 298.2 million USD is generated from its exported fasteners). The fastener trade balance (exported value vs. imported value) is -96.8 million USD.

Indonesia

Indonesia as the largest economy in the ASEAN region can absorb more FDI in the fastener sector.



The value of its fastener trade is 615.6 million USD (538.4 million USD is generated from its imported fasteners and 77.2 million USD is generated from its exported fasteners). The fastener trade balance (exported value vs. imported value) is -461.2 million USD. Its export is 7 times less than its import; and therefore, it is highly recommended that Indonesian fastener producers should focus on the exported fastener sector, otherwise the engine of growth in this sector may stop.

Vietnam

Vietnam is the 2nd largest fastener trader in the ASEAN region (Thailand is the first). The value of its fastener trade is 1030.7 million USD (575.7 million USD is generated from its imported fasteners and 455.0 million USD is generated from its exported fasteners). The fastener trade balance (exported value-imported value) is -120.7 million USD.

RCEP may give Vietnamese enterprises the chance to boost their exports, engage in new value chains, and attract further foreign investment. The cutting of import tariffs would also open up new opportunities for products from the fastener sector, all of which are continually growing with rising export turnovers.

Philippines

The trade scale of Philippines in the fastener industry is not huge, however, it is the only country in the ASEAN region with a positive fastener

trade balance. The value of its fastener trade is 309.4 million USD (144.5 million USD is generated from its imported fasteners and 164.9 million USD is generated from its exported fasteners). The fastener trade balance (exported value vs. imported value) is +20.5 million USD.

ASEAN Overlook and Last Word

ASEAN is a region with 5% share in the whole exported fasteners and 7.5% share in the whole imported fasteners in the world. The combined fastener trade numbers are shown as below.

The value of the combined fastener trade is 5061.6 million USD (3203.2 million USD is generated from imported fasteners and 1858.4 million USD is generated from exported fasteners). The fastener trade balance (exported value vs. imported value) is -1344.8 million USD.

RCEP may be able to help this region to improve its export value because the only way to make a wealthy country is to make money from going global. This agreement is a new opportunity for fastener producers to have a “market without borders.” The name itself suggests the answer to the problem. No fastener manufacturer can get wealthy if it stays within its own borders. It can only get wealthy if it ignores its own borders and markets brands to the rest of the world. RCEP covers 30% of the world’s total capacity; and therefore, it can be a good practice for ASEAN fastener manufacturers to proceed to their next steps, which is “Go global!”

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