



Analysis of Fastener Trade Between USA and ASEAN

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Introduction

Industrial fasteners are a part of the foundation of the U.S. industrial sector. Fasteners can be found in a vast range of applications and almost every single machine or construction project incorporates them to a certain degree. The U.S. fastener industry constitutes a multi-billion-dollar segment of the economy. It has a great number of diverse businesses centered around the main buyers of fastener products, including the automotive, construction, aerospace, maritime and military sectors.

In this article we look into fastener trade relations between the U.S. and ASEAN. The Association of Southeast Asian Nations (ASEAN) includes Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam. It was established in 1967 among five of these countries (Indonesia, Malaysia, Thailand, Singapore, and the Philippines) to facilitate trade and economic growth, as well as promote cultural development and social structures in the region. To date, they have been joined by another five nations.

In terms of industrial fasteners, the ASEAN market size is expected to continue its growth in the future. Rising product demand as an integral bonding component for manufacturing vehicles, home appliances, industrial machinery, and aerospace structures is likely to drive industrial growth in ASEAN. Infrastructure improvement in emerging economies in this region is likely to drive demand for industrial fasteners. Economic growth and rapid industrialization in Malaysia, Vietnam and Thailand are anticipated to stimulate investments for construction and because of that are expected to enlarge the industrial fastener market.

Fastener Trade

The U.S. plays a major role in the international trade system and is generally seen as a supporter of reduced trade barriers and free trade agreements. The United States currently has more than a dozen free trade agreements in place. The U.S. is the second leading exporter of goods and services in the world and the number one leading importer. The U.S. is a major manufacturer of fastener products with the presence of its globally known brands. Expectedly, the country is involved in high volume import and export trading in the international market. The import partners for the country include China, Taiwan, Japan, Germany, Canada, South Korea, Mexico, France, and India.

On the other hand, in 2020, the estimated total GDP of all ASEAN states recorded about USD3.11 trillion with a substantial increase from the previous years. In fact, the GDP of the ASEAN region has risen steeply for a few years, showing the region's thriving economy. In terms of fasteners, Thailand is the largest fastener market and the major exporter in ASEAN. The local manufacturers can support domestic needs while exporting their products to the global market.

In this region, Indonesia is a leading destination market for fastener exporters. The country exports more expensive and high quality fasteners compared with other countries in the region. In some points in Indonesia's trade statistics, the country has exported fasteners with the price almost twice as high as other ASEAN products. This could prove that fastener industries in Indonesia are the most developed in the region, while countries like Thailand are only good at manufacturing standard fasteners and still require high-tech and specialised fasteners to be imported heavily.

ASEAN-US Trade Relations

The United States has a healthy and steady trade and investment relationship with the ASEAN. These countries together are the fourth-largest trading partner with the U.S. in 2019, ASEAN was the United States' 10th largest goods export market with the value of USD86.1 billion. In terms of imports, in 2019, ASEAN was the United States' 8th largest supplier of goods. ASEAN members, exported about USD206.3 billion to the U.S. market in that year. That amount of imports accounted for 8.3% of overall U.S. imports in 2019.

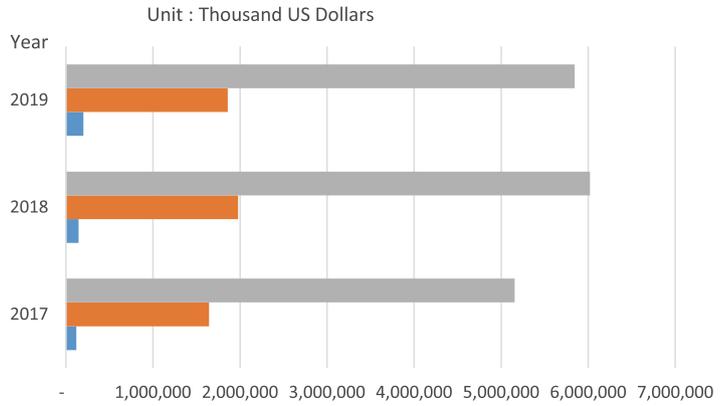


In terms of fastener trade, the U.S. market is a major destination for Asian fastener products from China and Taiwan, but not really for ASEAN exporters. In 2019, China by itself exported more than USD1.2 billion worth of fasteners to the U.S. market which was far beyond the total exports value from ASEAN which was only about USD200 million.

Chart 1. shows that ASEAN's fastener export value to the U.S. market is considerably small compared with other countries'. Similarly, the total value of exports from ASEAN to the U.S. is significantly lesser than their total exports to global market. However, the trend exhibits the growth of exports between 2017 and 2019. This trend is expected to continue its growth in the future.

In the first quarter of year 2020, ASEAN manufacturers exported more than USD49 million worth of fasteners to the U.S. market. This amount shows a 10% growth compared with the last quarter of 2019 when the value of exports was about USD45.2 million. With no doubt, the current pandemic situation has slowed down the exports growth, but it is expected to get back on its track. **Table 1.** exhibits quarterly fastener export values (USD in millions) from ASEAN to the U.S. market.

Chart 1. Fastener Trade Value



Year	2017	2018	2019
United States of America's imports from world	5,153,815	6,020,471	5,841,886
ASEAN's exports to world	1,644,233	1,979,149	1,858,364
ASEAN's exports to the U.S.	119,488	145,958	199,525

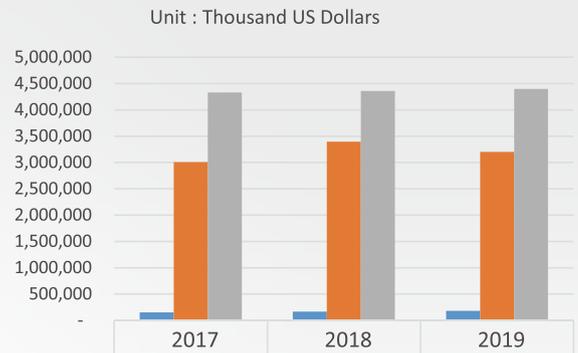
Table 1. Quarterly Fastener Export Values from ASEAN to the U.S. (unit: 1,000 USD)

Value in 2019-Q4	Value in 2020-Q1	Value in 2020-Q2	Value in 2020-Q3
45.20	49.42	46.97	48.11

If we compare the import and export values of fasteners between the U.S. and ASEAN from 2017 to 2019, there is some sort of trade balance between these two markets. Although there has been a trade deficit for the U.S., the amount is not so substantial and it seems the trade deficit is getting narrower. As is shown in the **Chart 2**, the U.S. has shipped more than USD183 million worth of fasteners to ASEAN market and in the same year (as stated in the previous chart) the country has imported about USD199.5 million worth of fasteners from ASEAN manufacturers. As a result, there is a USD16.5 million trade deficit in 2019 which is smaller than USD18.6 million in 2018 and USD32.7 million in 2017. That is, the U.S. fastener trade deficit with ASEAN has been reduced by 50% from 2017 to 2019.

The U.S. export value to the ASEAN market has increased in last few years, but the value reduced drastically as a result of the current Covid-19 pandemic. As stated in **Table 2**, there has been a slight change in the export value in Q1 2020 compared with Q4 2019, but by the spread of Covid-19 in the U.S., the export value reduced meaningfully quarter by quarter. **Table 2** shows quarterly fastener export values (USD in millions) from the U.S. to ASEAN.

Chart 2. Fastener Trade Value



Year	The U.S. exports to ASEAN	ASEAN's imports from world	The U.S. exports to world
2019	183,002	3,203,231	4,396,938
2018	164,562	3,396,046	4,358,314
2017	152,164	3,007,286	4,328,781

Table 2. Quarterly Fastener Export Values from the U.S. to ASEAN (unit: 1,000 USD)

Value in 2019-Q4	Value in 2020-Q1	Value in 2020-Q2	Value in 2020-Q3
45.44	45.23	30.74	26.52

In summary, we need to highlight that the U.S. – ASEAN trade relationship is critical for the both sides. Collectively, ASEAN is expected to become the fourth largest economy in the world by 2050 and is already the fourth largest export market for the United States, supporting hundreds of thousands of U.S. jobs. The trade relations between the U.S. and ASEAN economies are highly complementary, generating significant and extensive benefits for both sides. ■