



CPTPP and the Fastener Market

by Shervin Shahidi Hamedani

The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) is a free trade agreement (FTA) between Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, Peru, New Zealand, Singapore and Vietnam. The CPTPP was signed by the 11 countries on 8 March 2018 in Santiago, Chile.

It is notable that, this Agreement is a separate treaty that incorporates, by reference, the provisions of the Trans-Pacific Partnership (TPP) Agreement (signed but not yet in force), with the exception of a limited set of suspended provisions. The 11 countries have a shared vision of the CPTPP as a platform that is open to others to join if they are able to meet its high standards.

The result of the CPTPP is a high-standard, ambitious, comprehensive, and balanced agreement that will promote economic growth; support the creation and retention of jobs; enhance innovation, productivity and competitiveness; raise living standards; reduce poverty in our countries; and promote transparency, good governance, and enhanced labour and environmental protections. After all, it's an important step toward an ultimate goal of countries for open trade and regional integrations.

In this article, we study the impact of the CPTPP on the fastener market more specifically in ASEAN. Overall, the CPTPP like other Free Trade Agreements (FTAs) would be able to facilitate the growth of regional fastener production networks as well as global value chains. The CPTPP could be more beneficial for multinational fastener enterprises which have built (or plan to build) regional production networks to increase their competitiveness and resilience to external shocks in the global market, as what we have experienced recently as a result of the pandemic. The expansion of value chains creates competitive edges for large entities over local or smaller players in the market, as they have divided their production processes, located them in various countries following their comparative advantages, and connected them to value chains by international trade. However, smaller players in the market, still will gain several benefits from the CPTPP as they will be facing less barriers to enter into the new market and less challenges for exporting their products as well as importing raw materials, machinery and tools.

The CPTPP builds a broad market access for fastener manufacturers and traders. It removes or at least cuts tariff and non-tariff barriers across considerably all trade in goods and services including industrial fasteners and covers the full range of trade, including goods and services trade and investment. This creates new opportunities and benefits for investors, business owners, subject matter experts, labours, as well as clients in the fastener market.

In addition to the trade liberalization stated above, this agreement unifies trade, creates more jobs and improves efficiency. The CPTPP simplifies cross-border integration and impacts on opening a domestic market to regional and international markets for all members in general and its ASEAN countries in specific.

Interestingly, this agreement supports innovation, productivity, and competitiveness by transferring knowledge and new technologies from advanced countries to the other member countries. It significantly affects R&D advancement in the fastener industry and will support more countries like Brunei Darussalam, Malaysia, and Vietnam to manufacture superior-quality standard and specialized fasteners.

Although it might seem that larger fastener manufacturers and traders get more benefit from the CPTPP than smaller entities do, The CPTPP is all about inclusive trade. It includes several elements to fortify and secure that economies at all levels of development and businesses of all sizes can benefit from trade. It includes commitments to help small- and medium-sized businesses



understand the agreement, take advantage of their opportunities, and bring their unique challenges to the attention of the CPTPP governments. It also includes specific commitments on development and trade capacity building, to ensure that all Parties are able to meet the commitments in the Agreement and take full advantage of its benefits. All in all, the CPTPP is designed and deployed as a platform for regional economic integration and intended to contain additional economies across the APAC. The CPTPP distinguishes the challenges facing Small and Medium-sized enterprises (SMEs) in establishing export markets, and includes outcomes to make this task easier in the CPTPP region.

This would be very beneficial for smaller size of fastener manufacturers and traders of the CPTPP members. As stated earlier, the removal of tariffs and lessening in non-tariff barriers in CPTPP fastener products, tools and machinery export markets, common and transparent trade and investment rules among 11 Asia-Pacific countries, supporting in reducing the administration costs and accessing to the global value chains would be the key advantages of the CPTPP for the SMEs. Additionally, new policies that boost SMEs involvement in governmental procurement opportunities in all CPTPP countries and commitments addressing several recent trade and investment issues, comprising rules against corruption; dropping unfair competition by State-Owned Enterprises; and safeguarding a liberalised ecosystem for digital transformation and electronic commerce are other outcomes of the CPTPP which can be related to the SMEs market.

Under CPTPP, fastener importers could make a claim for special tariff treatment based on a Certification of Origin. Interestingly, unlike other FTAs, under CPTPP this certification does not need to follow a prescribed format. However, fastener exporters are required to carefully study the tariff schedules issued by each member countries as some members have totally eliminated the tariff for fastener products (e.g. HS Code 7318) like Singapore, Australia and Brunei while some others have reduced the tariff like Malaysia (reduced to 5%) or Canada (reduced to 8%). There are some countries like Vietnam which is planning to remove the tariff within 3 years. The tariff for fastener products, will be reduced year by year (Y1 7%, Y2 5%, Y3 2.5%) until it will be totally removed in year 4 and onwards.

In summary, the CPTPP brings several benefits for fastener manufacturers and traders of the countries which are members and therefore creates competitive edges for them compared with other non-member countries in their regions. Tariff reductions and relaxed trade requirements, reduced importer costs, improved customs clearance times, less complicated trade procedures, and increased access to a wide range of products are the key advantages of the CPTPP as explained earlier in this article. ■

Resources:

Summary of the Trans-Pacific Partnership Agreement & Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP): Published by The Australian Government, Department of Foreign Affairs and Trade.



www.w-i.com.tw



Computerized CNC auto grinder, specialized in punches/dies of various nuts, screws, sleeves and socket boxes.






ISO14001:2015
ISO9001:2015

No.21, Min-zu Rd., Lujhu Dist., Kaohsiung City 82147 Taiwan
Tel: 886-7-697-2188
Fax: 886-7-697-2180
E-mail: sales@w-i.com.tw

