



# How will the European Fastener Market be Influenced after UK Has Voted to Leave the EU?



## UK and the EU

by *Shervin Shahidi Hamadani*

The statistics show from all British goods and products exports that half of them are sold to the European Union as a main destination. These figures explain the strong trading links between UK and other European countries. The relations are bigger and stronger if we take in the countries that the United Kingdom trades freely with. UK has a free trade agreement with the European Union which means that 63% of Britain's goods exports are linked to European Union membership.

## Brexit: What will Happen?

It is expected that a valuable trade agreement would be reached after Brexit as there are benefits for both sides in going on a close commercial arrangement. However, there is possibility that UK faces tariffs under 'most-favoured nation' rules, for the product exports to EU. These rules would be an inconvenience for UK's exporters which may bring some additional costs for them. Fulfilling the EU's rules of origin, is one of the example of these rules. It may not be a major barrier to trade, but it would be an inconvenience for traders and manufacturers. Because of the decline in tariffs and global industrial production

and Europe's falling position in the global economy, United Kingdom's overall exports may not change drastically. On the other hand, Brexit would provide Britain a vital opportunity by letting it to build its own trade deals with non-European Union countries. To do so, the absence of the UK's trade deal with the European Union may negatively impact more on the EU rather than the UK. Moreover, UK could even have a unilateral free trade policy with other nations as non-European Union countries may find negotiating with Britain easier and quicker than dealing with the European Union's bureaucratic machine.

## Industrial Sectors and Fastener Market

The impact of Brexit will definitely vary across sectors. Industrial and manufacturing sectors may face a more uncertain outcome than services. The variety of possible consequences is more variable as manufacturing such as automotive and aerospace sectors are more reliant on whether the UK agrees a trading agreement with the European Union or not. In the fastener market, UK manufacturers typically target niche high-value segments,

mainly aerospace and automotive. The domestic industry is small in comparison with the global market, which is worth over £50 billion. The industry recovered during the past five years after suffering during the recession. Although industrial production activity remained weak for much of the period, the more technologically advanced manufacturing industries enjoyed favourable conditions. It is probable that the effects of Brexit on the fastener market would be relatively small for the EU's market but moderately large for UK, since the largest fastener related companies operating in the United Kingdom are subsidiaries of foreign-owned global companies. However, as mentioned earlier, probably UK's leaving the European Union would leave the external sector better off in the long run, if UK could use its new found freedom to negotiate its own trading arrangements to good effects.

As stated earlier the relations between the United Kingdom and the European Union are substantial as the EU is the final targets for about half of all British goods exports. For example, in 2015, the total value of steel fasteners exported to the EU was about USD 430 million which is slightly higher than the half of the total export value of steel fasteners to the global market. Similarly, almost half of the steel fasteners imported by the UK were exported by the EU manufacturers. This shows that again how the UK and the EU deeply tie their trade relations together.

Table 1: Steel Fasteners Exported by UK in 2015

Importers	Export value 2015 (thousand USD )	Share in United Kingdom's Steel Fasteners exports (%)
World	805,612	100
European Union (EU 28)	427,104	53
Germany	111,175	13.8
France	55,243	6.9
Ireland	41,061	5.1
Denmark	32,465	4
Italy	28,417	3.5
Netherlands	28,411	3.5
Spain	24,751	3.1
Belgium	20,617	2.6
Poland	18,523	2.3
Sweden	17,410	2.2

The major importing markets for HS Code 7318 products exported by United Kingdom in 2015 reported by ITC Trade Map

Table 2: Steel Fasteners Imported by UK in 2015

Exporters	Import value 2015 (thousand USD )	Share in United Kingdom's Steel Fasteners imports (%)
World	1,322,836	100
European Union (EU 28)	613,528	46.4
Germany	256,291	19.4
France	118,630	9
Italy	65,587	5
Netherlands	29,569	2.2
Poland	25,066	1.9
Belgium	22,757	1.7
Sweden	20,924	1.6
Austria	15,983	1.2
Spain	14,113	1.1
Czech Republic	13,417	1

The major exporting markets for HS Code 7318 products imported by United Kingdom in 2015 reported by ITC Trade Map



As stated in the above tables, within the EU countries, Germany's fastener market probably will be affected more than other countries in this region as Germany seizes the biggest share of the EU's fastener market exports to the UK. Moreover, this country is the major destination of steel fasteners from the UK's exporters. Probably, the automotive industry and its downstream markets are likely to be the worst. Consequently, the economic performance of the fastener market in Germany and other major fastener markets such as France and Italy will be probably influenced negatively. These countries are the UK's most important trade partners in the EU and Brexit is expected to make their trades more challenging and expensive for them. Similarly for the UK's exporters,

they exporters would face extra costs in exporting their products into the EU. These would include additional costs of clearing customs and some other costs like administrative costs of complying with the EU's rules of origin. Exporters in general and fastener manufacturers in specific might also face other non-tariff barriers, such as quotas. They would also still need to follow European product standards in order to export freely to the union. To avoid producing some goods in one way to meet European Union standards, and others in another way, firms would apparently just continue to fulfil with most existing regulations.

However, as mentioned earlier, these factors would be an inconvenience rather than a major barrier to trade.

The important fact is that other countries, such as the United States, manage to export successfully to the European Union regardless of facing these obstacles. What's more, the EU as a single market does not appear to have given Britain that much of an advantage in exporting to the rest of the union over countries that are outside the single market in recent years.

Sources:

The economic impact of 'Brexit': A Report by Capital Economics for Woodford Investment Management

Fastener & Screw Machine Product Manufacturing in the UK: Market Research Report by IBIS World

European fastener market insight, United Kingdom: A Report by Apex Stainless Fasteners Ltd.



**Yes, We Can!!**

**We Can Make All Kinds of Pin to Fit All Brands of P.A.T. We also sell all kinds of load**

**RED POINT FASTENERS**  
TENG'S INDUSTRIAL

**TENG'S INDUSTRIAL CO., LTD.**  
5F, No.1, Alley 3, Lane 179, Sec. 2, Nei Hu Rd., Taipei, Taiwan  
Tel.: 886-2-2791 3507 Fax: 886-2-2793 2145  
Factory: 886-4-786 9300 Fax: 886-4-787 1932  
E-mail: teng.t3801@msa.hinet.net  
<http://www.tengs.tw> <http://www.fastener-world.com.tw/red-point>

NK

ENK

DN

EDN

M-10 THREADED STUD

M-6 THREADED PIN

.300 HEAD PIN

1/4" OR M6 HI-VI PIN

1/4" THREADED PIN

1/4" OR M6 EYELET PIN

M-10 TGW

ENP PIN

.22 POWER LOAD

.25 DISC POWER LOAD

.27 STRIP POWER LOAD

P.A.T. (ST-300)

P.A.T. (ST-300B)

P.A.T. (M-168)