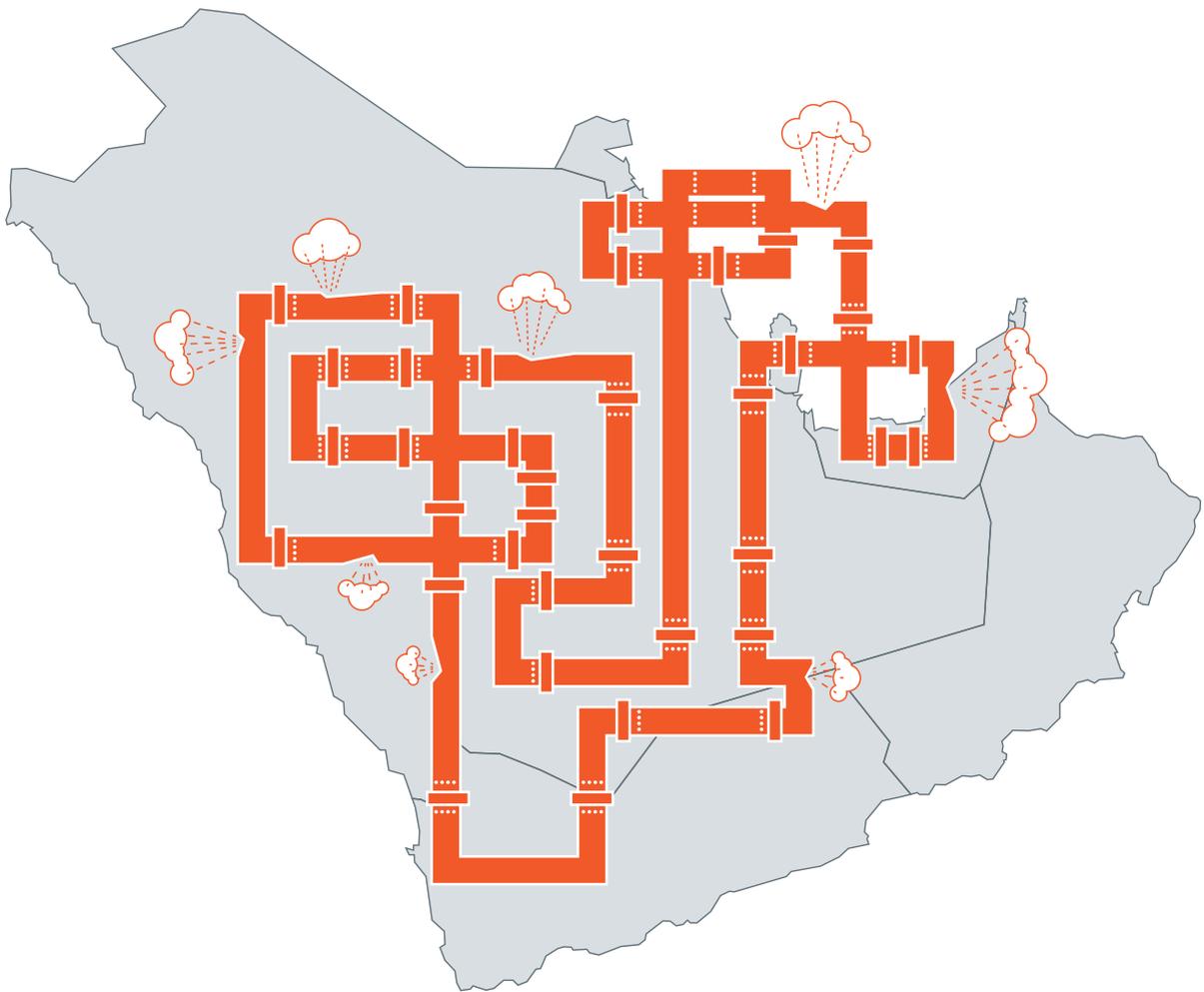
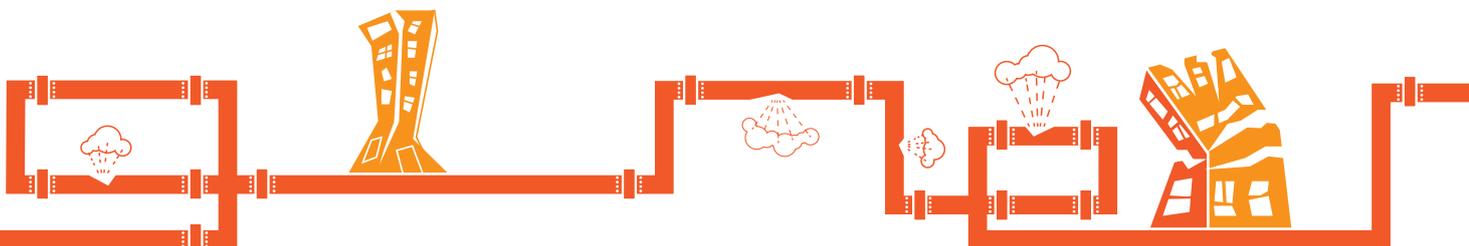


COUNTERFEIT STEEL PRODUCTS IN THE GCC



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THE STUDY

Counterfeiting in the steel pipes industry can involve the marking of non-certified steel products pipes with logos and brand names of reputed companies, the fabrication of genuine documentation like Mill Test Certificate or even the reselling of used steel products after refurbishment.

Such practices have undoubtedly have had a negative impact on suppliers, contractors, resulting in the loss a part of a direct market share and sales revenue alongside health, safety and environmental reputational risks and a drop in customer satisfaction rate. Steel producers are forced to spend resources on additional product protection in this state of weakened legal business protection.

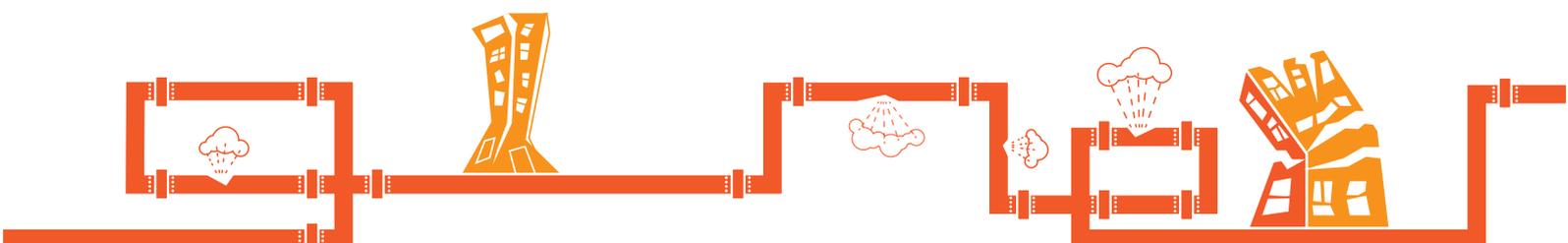
Research has indicated that the following are the top 10 most counterfeited products in our industry

- Steel
- Fasteners
- Valves
- Pipes
- Circuit breakers
- Rotating equipment parts
- Electric equipment
- Pipe fittings
- Pressure vessels
- Cement

Steel Alliance’s Against Counterfeiting study on the presence of counterfeit steel products in the GCC has identified that

- As much as 70 per cent of the industry is aware of fake steel in the market, with 53 per cent of the sample having personally come across counterfeit products during their day-to-day operations.
- 84 per cent acknowledge that it affects the reputation and performance of the industry.
- 98 per cent of the respondents believe that the incidence of fake steel poses an adverse risk.
- 90 per cent believe that it is the quality of material that is important, with 79 per cent suggesting that there should be a focus on the country of origin to reduce risks.
- 79 percent also believe that it is important to have the support of suppliers to make this happen.
- 69 percent of respondents consider that the industry should be regulated more strictly in the GCC.
- 43 percent of market players think that the governments in the GCC should provide more support in fighting fake products on the steel market.

As a member of Steel Alliance Against Counterfeiting (SAAC), Interpipe has taken a keen interest in studying closely studying the presence of counterfeit steel products in the GCC market. SAAC is a non-profit industry initiative whose members are reputable manufacturers of steel pipes, flanges and fittings.



Collectively, the Alliance represents steel products producers with approximately up to 20 bln USD turnover. The Alliance’s primary objective is to act as a strong and coherent voice for the industry against trademark counterfeiting. SAAC cooperates with governmental bodies, distributors and contractors to prevent any negative consequences.

To prevent the threat of fake steel, it’s important to control the quality and origin of steel materials, and requires both the private and public sector market players working with governmental support in fighting fakes. The study supports the new edition of UAE Fire and Life Safety Code and also outlines recommendations for the public and private sectors to best leverage the findings.

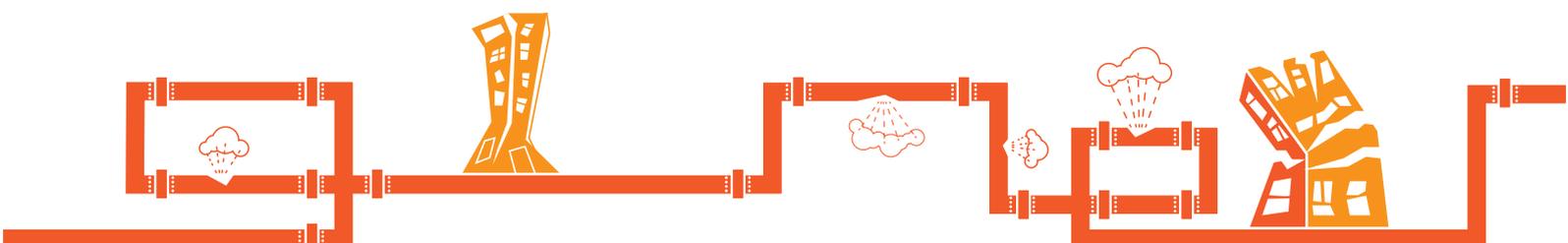
FINDINGS AND METHODOLOGY

The study involved contractors, consultants and product suppliers who participated obtain the basis of further complex plan for problem solving introduce new ways of verification of genuine products and brand names protection. The survey was conducted among 70 contractors, consultants and product suppliers from the GCC over three months (November 2016-January 2017).

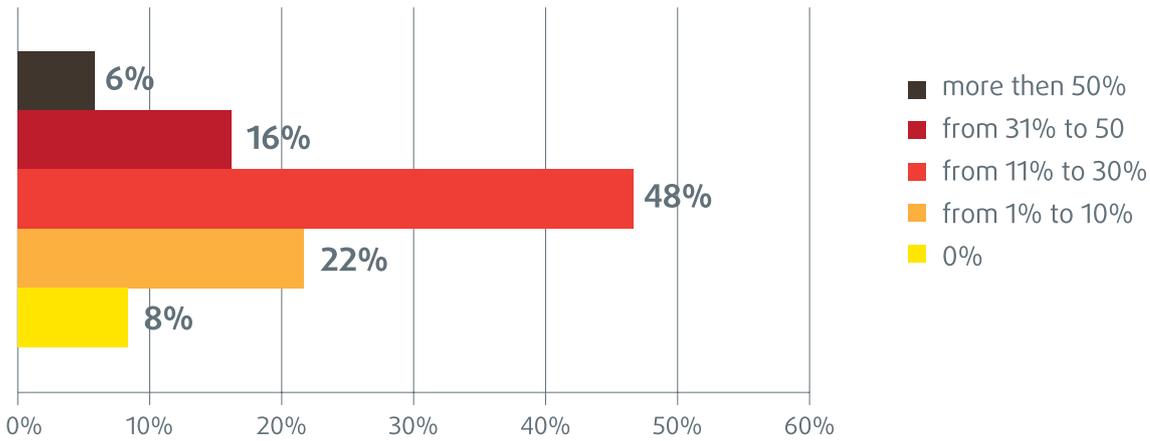
Study results. Respondents



Study results. Counterfeiting poses a risk



Study results. Estimation of the fake products presence at the market



Study results. Quality is a key pillar



90% of respondents
STEEL MATERIALS FOR CONSTRUCTION PROJECTS SHOULD BE OF HIGH QUALITY



79% of respondents
STEEL MATERIALS FOR CONSTRUCTION SHOULD BE OF GENUINE ORIGIN

Study results. Authorities ought to be involved as same as business

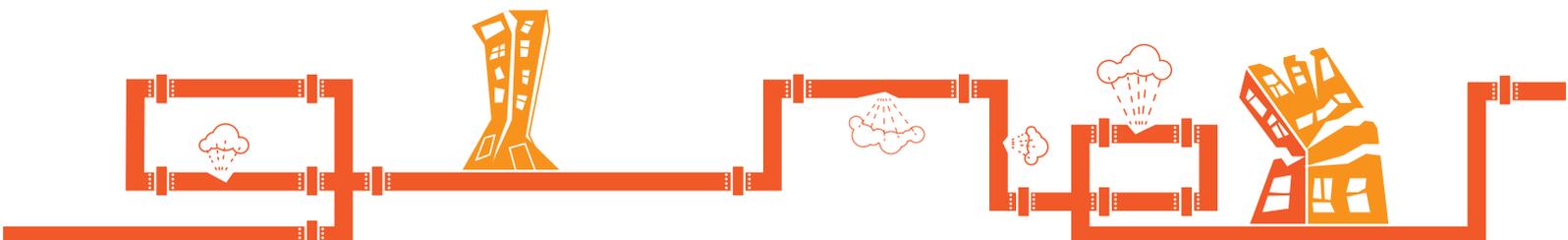


69% of respondents
STEEL INDUSTRY IS NOT REGULATED ENOUGH IN THE GCC REGION

43% of respondents
GOVERNMENTS IN THE GCC DO NOT PROVIDE ENOUGH SUPPORT IN STRUGGLE AGAINST COUNTERFEITING IN THE STEEL INDUSTRY



79% of respondents
STEEL PRODUCTS MANUFACTURERS SHOULD PROVIDE CONSULTATIONS DURING CONSTRUCTION PROJECTS



HOW WILL IT HELP THE PRIVATE SECTOR?

With the findings and subsequent training modules, Steel Alliance Against Counterfeiting aims to collectively raise the responsibility of contractors while supplying materials for construction projects and develop complex plan of the industry protection with all stakeholders, namely contractors, subcontractors, suppliers, authorities. This will ultimately help develop additional levels of products protection or verification to defend brands further to standard documentation such as Mill Test Certificate.

HOW WILL IT HELP THE PUBLIC SECTOR?

The study can be used by lawmakers to enforce upon end-customers, contractors and consultants the duty to verify directly with the manufacturer of steel products the authenticity of the MTC prior to any use. Ultimately there will be a crowdsourced list of suppliers indulging in unfair practices, this enables easier cross-border investigation and enforcement against counterfeiters.

RISKS

Fake steel products poses a risk across several industry pillars

- Health & safety
- Environment
- Economy
- Reputation
- Law

Health and Safety

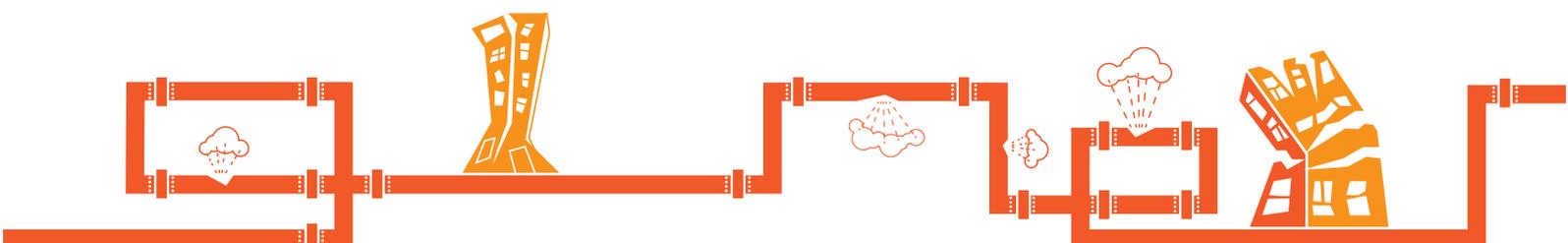
Counterfeit products could potentially be manufactured using processes and materials that do not comply with the applicable health & safety norms, the products are often of poor quality and not fulfilling the clients' specifications nor industry standards. They are also often not tested for potential defects.

Environment

Tubular products are used in critical installations such as oil refineries, buildings, off-shore and on-shore line pipes and FPSOs (Floating, Production, Storage and Offloading). An accident caused by sub-standard counterfeit products can strongly impact the environment and endanger human lives.

Economy

Fake products can easily damage or destroy the end-users' installation, often requiring more maintenance and resulting in interruption of business operations. By circumventing conventional commercial channels governments also lose tax revenues and incur costs associated with combating counterfeiting.



Reputation

Negative publicity arising from the use of counterfeit products can adversely affect distributors' and end-users' reputation, along with that of the genuine product manufacturer.

Legal risk

Due to the lack of accountability, traders and end-users are exposed to liabilities, legal actions and fines if they did not take preventive measures or use fake products which are defective and cause death, injuries or other damages. It becomes a losing game for the industry, as no one can be held liable for losses incurred by third parties having used fake products.

RECOMMENDATIONS

- It is the responsibility of the industry to hold contractors more accountable while supplying materials for construction projects. Distributors/subcontractors/contractors must undergo regular training sessions on counterfeiting.
- There is a widespread need to develop complex plan of the industry protection involving active participation of all stakeholders including contractors, subcontractors, suppliers, authorities.
- Further to standard documentation like Mill Test Certificate, the industry needs to develop additional levels of products protection or verification to defend genuine brands.
- There could be a legal framework where counterfeit tubular products that are seized by any UAE officials (customs, police, DED, judge etc.) are not re-exported.
- There is a need for the systematic sharing of information with trademark owners, full seizure reports with all details on the seized products, the shipping documents and any further information the enforcement officers may have gained regarding the importer and purchaser. This will further the competence of enforcement.
- The list of those indulging in unfair practices should be openly available, and they should compensate for damages to genuine companies.
- The time period stipulated for trademark rights owners to issue legal proceeding of receiving notification of the seizure by customs under the GCC Unified Trade Mark Law should be increased, especially in the case of cross-border investigation.
- There needs to be a GCC wide cross-border investigation and enforcement action plan against counterfeiters. This can involve the implementation of a unified customs recordal system and strengthened coordination between customs authorities at a national and international level.

