

U.S. Tariffs on Chinese Fasteners Ruled Illegal



WORLD TRADE ORGANIZATION

The World Trade Organization ruled that U.S. President Donald Trump's tariffs on more than \$400 billion in Chinese goods, including fasteners, violate international trade regulations.

In 2018, the Trump administration placed 10% tariffs on bolts, screws and other fasteners (HTS subheadings 7318.11.00 to 7318.29.00) manufactured in China and on all Chinese iron and steel nuts (HTS subheading 7318.16.00). Those tariffs were hiked to 25% and 15%, respectively the following year. The tariffs were issued under Section 301 of the Trade Act of 1974, which allows the White House to fight foreign trade policy it deems "unreasonable or discriminatory and burdens or restricts United States commerce." However, a panel of three WTO adjudicators ruled "that the U.S. was unable to prove its tariffs on Chinese products were necessary to level the global trade playing field," according to The Hill. While the WTO can't force the U.S. to rescind the tariffs, the panel concluded the Trump administration "has not met its burden of demonstrating that the measures are provisionally justified."

The Trump administration criticized the ruling. "The United States must be allowed to defend itself against unfair trade practices, and the Trump Administration will not let China use the WTO to take advantage of American workers, businesses, farmers, and ranchers," stated U.S. Trade Representative Robert Lighthizer. American businesses and consumers are bearing the financial brunt of Trump's strategy to use import tariffs to protect and boost U.S. manufacturers, leading to job losses and higher prices, according to a Federal Reserve study published in December. U.S. Federal Reserve research shows that U.S. tariffs on Chinese industrial components and materials — which largely won't be lifted by the new deal that was signed in January — are "proving especially damaging to American manufacturing competitiveness and jobs," Reuters reports.

"U.S. tariffs continue to be almost entirely borne by U.S. firms and consumers," stated Mary Amity, an economist at the Federal Reserve Bank of New York.

The Office of the U.S. Trade Representative (USTR) list includes:

- 7318.11.00 - Iron or steel coach screws
- 7318.12.00 - Iron or steel wood screws
- 7318.13.00 - Iron or steel screw hooks and screw rings
- 7318.14.10 - Iron or steel self-tapping screws, w/shanks or threads less than 6 mm in diameter
- 7318.14.50 - Iron or steel self-tapping screws, w/shanks or threads 6 mm or more in diameter
- 7318.15.20 - Iron or steel bolts and bolts & their nuts or washers, imported in the same shipment
- 7318.15.40 - Iron or steel machine screws (o/than cap screws), 9.5 mm or more in length and 3.2 mm in diameter
- 7318.15.50 - Iron or steel threaded studs
- 7318.15.60 - Iron or steel screws and bolts, nesoi, having shanks or threads less than 6 mm in diameter
- 7318.15.80 - Iron or steel screws and bolts, nesoi, having shanks or threads 6 mm or more in diameter
- 7318.19.00 - Iron or steel threaded articles similar to screws, bolts, nuts, coach screws & screw hooks, nesoi
- 7318.21.00 - Iron or steel spring washers and lock washers
- 7318.22.00 - Iron or steel washers (o/than spring washers and other lock washers)
- 7318.23.00 - Iron or steel rivets
- 7318.24.00 - Iron or steel cotters and cotter pins
- 7318.29.00 - Iron or steel nonthreaded articles similar to rivets, cotters, cotter pins, washers and spring washers.



American News

compiled by Fastener World

TR Fastenings Boosts Medical Fasteners Capacity



TR Fastenings has increased capacity for medical device fasteners to meet rising demand driven by the coronavirus, DPA reports.

"The outbreak of COVID-19 created an unprecedented demand for medical products, a situation never before experienced on this scale," writes Jeremy Scholefield. "In response to the outbreak, the world turned to medical companies for vital help, which has galvanized the industry into action and to work in uncharted territories." To alleviate shortages, manufacturers outside of the healthcare field have reconfigured to develop and produce medical equipment and supplies.

Critical medical products requiring fasteners and components include:

1. Respiratory equipment, such as ventilators;
2. Personal Protective Equipment (PPE), such as face masks and protective visors;
3. Diagnostic tests that identify those infected.

TR Fastenings responded to the UK government's urgent request to support established medical equipment manufacturers and new companies diversifying into this sector. With technical expertise, real time inventory availability, a wide range of fasteners and an intricate global supply chain already in place, TR has been able to accelerate time to market.

"Although fasteners are typically the smallest components in medical devices, they play an important role in the assembly, functionality and structural integrity of the device," Scholefield writes. "Working directly with a knowledgeable fastener manufacturer early on in the design stage mitigates the possibility of a costly redesign."

The main products TR supplies are sheet metal fasteners, high-grade stainless steel fasteners, plastic and rubber products, and specially manufactured parts for ventilators, medical beds and furniture, ultrasound machines, medical imaging equipment, defibrillators, incubators, medical computer stands, volumetric pumps and infusion devices, and vacuum extractors. Founded in 1973, UK-based TR Fastenings manufactures industrial and Cat C fasteners.



Pac-West Panelists on USMCA Replacing NAFTA

The United States-Mexico-Canada Agreement (USMCA) went into effect on July 1, replacing the North American Free Trade Agreement (NAFTA). In Canada the new agreement is called CUSMA, and in Mexico it's known as T-MEC. Regardless of what you call it, here are the practical effects for the fastener industry. "NAFTA is officially gone," stated Jamie Lawrence of AVK Industrial Products.

Lawrence, Würth International trade compliance officer Chad Bussell and John Gaudette of Metric & Multistandard led a September 3 panel sponsored by the Pacific-West Fastener Association.

"USMCA is in effect now, so please reach out to a trade advisor to understand how this affects your (fastener) business," Lawrence advised.

NAFTA still governs orders placed before July 1, Bussell clarified. While NAFTA's certificate of origin is no longer needed, fastener distributors still need some sort of certification, Bussell explained. "Even if you've been to a factory and seen the fasteners made, someone can issue a certification of origin, the fasteners are not originated," Bussell said.

Overall, the USMCA is more flexible than NAFTA, allowing claim information to be written on a commercial invoice, according to the panelists. Most fastener codes remain unchanged under USMCA, but there is a regional value content that requires calculation.

"If you're a manufacturer, you have to do the math, and if you're a distributor, you need to make sure your manufacturer did the math," Bussell stated. One of the most significant impacts on fastener distributors involves a delayed clause in the act. "You have a little bit of a time bomb built into this act," Bussell explained.

From now until July 1, 2023, nails can "tariff shift," meaning foreign material has to start as something other than a nail, go through manufacturing in the U.S., Canada or Mexico, and end up as a nail. But in 2023, nails will require both tariff shift and that 70% of the steel used must originate in North America. "This does not impact screws," Bussell noted. The best way to request documentation from a manufacturer is at the time the order is placed so that the documentation is included with the order.

What is the transactional value of a fastener under USMCA? It's the overall value of a part, including value-added work, such as machining or plating, which changes the percentage of origin. "60% is a threshold but it's not where you want to be," Bussell stated. Beware discounts, Bussell warned, because they increase the foreign content value of a fastener. "All of your math goes out the window at that point," according to Bussell. There is a low-value threshold for small orders under \$1,000, Bussell explained. "But if you have several orders under \$1,000 go across the border in a single day, customs is going to investigate," he added. Proper documentation is essential.

"You need to have a really good paper trail," Gaudette explained. The terms of USMCA will remain in effect for 16 years.



Lower Fastener Sales Drive FDI Down

The Fastener Distributor Index declined in August, dropping to 49.2 from 54.6 the previous month amid plummeting sales. June's figure of 56.9 was the index's best reading since November 2018.

"After two consecutive months of fairly sharp improvements in the FDI, naturally the rate of improvement stalled some in August," R.W. Baird analyst David Manthey wrote.

The sales index fell 31.6 points to 47.6 in August.

The Forward Looking Index dipped 1.7 points to 53.1, while employment grew a modest 1.8 points to 46.1 in August and supplier deliveries improved 3.4 points to 60.5.

"Taking the FDI and FLI together, in our view, we believe this indicates August fastener market conditions showed relative stability in trends after several consecutive months of strong month-to-month improvement," Manthey explained. Meanwhile, month-to-month pricing fell 6 points to 52.6, while year-to-year pricing declined 1.3 points to 65.8. The August FDI reading "indicates the trajectory of sales trends is improving m/m, but activity levels are likely not yet near pre-COVID levels," Manthey stated. "Looking at the drivers of the m/m moderation in the FDI, sales trends continued to improve, but the employment index slightly decreased, dragging down the overall index," Manthey noted. Twice as many distributors expect lower activity over the next six months, while 53% expect higher activity and 24% anticipate no change.

A third respondent expressed concern over current trends. "Down 25% from last year's August. Down 11% YTD compared to the same period last year. Very, very slow month."

The FDI is a monthly survey of North American fastener distributors conducted by the FCH Sourcing Network, the National Fastener Distributors Association and Baird.

Canada Renews Tariffs on Asian Screws

The Canadian International Trade Tribunal renewed duties on certain carbon steel screws from China and Taiwan "used to mechanically join two or more elements," and the subsidizing of such products exported from China, excluding carbon steel screws specifically designed for automotive or aerospace applications, Fastener World reports.

The Canada Border Services Agency (CBSA) initiated a re-investigation to update the normal values and export prices, in accordance with the Special Import Measures Act (SIMA), respecting certain carbon steel fasteners originating in or exported from China and Taiwan, and the amounts of subsidy respecting certain carbon steel fasteners originating in or exported from China. The re-investigation was part of the enforcement of the CIT's order made on January 5, 2015, in Expiry Review No. RR-2014-001, continuing its order made on January 6, 2010, in Expiry Review No. RR-2009-001 continuing, its findings made on January 7, 2005, in Inquiry No. NQ-2004-005.

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Lawson Products Buys Partsmaster

Lawson Products acquired Greenville, TX-based Partsmaster from NCH Corporation for \$35.3 million. The deal is Lawson's largest acquisition in five years and will push its revenue to \$400 million. Lawson paid \$2.3 million of the purchase price at closing, and will pay the remaining \$33 million in May 2021.

Founded in 1968 as a division of NCH, Partsmaster is an MRO products distributor with \$63 million in annual sales to 16,000 customers through its 200-plus sales reps. Partsmaster provides six specialty product lines, including Dyna Systems fastener line of domestic premium bolts, general Grade 8 and Grade 5 bolts, and stainless steel and metric fasteners.

"This transaction is an important step in our continued growth strategy," stated Lawson CEO Michael DeCata. "Partsmaster is a strong strategic fit with a similar VMI business model, similar product margins, a complementary product offering and a passion for providing great service to customers."

Founded in 1952, Chicago-based Lawson Products distributes MRO products and services. Lawson has distribution centers in all 50 states, Puerto Rico, Canada, Mexico and the Caribbean and is headquartered in Chicago.

Orbitform Acquires C&B Machinery



Orbitform and a group of investors acquired Brighton, MI-based C & B Machinery for an undisclosed sum. C&B

Machinery will operate as a separate entity with its own staff and facility.

"We intend to carry on the heritage that C & B Machinery established over the last 40 years," stated Orbitform president Phil Sponsler. "We look forward to working with the existing, highly skilled C & B team to grow the business."

Founded in 1980, C & B Machinery designs and manufactures high production and precision grinding machines, including their double disc grinding equipment, for automotive, aerospace and hand tools markets. Founded in 1984, Jackson, MI-based Orbitform designs and manufactures orbital forming riveting machines and forming, fastening and assembly automation equipment.

Match & Meet by IFE Digital Event

As the pandemic made it impractical for Emerald X LLC to hold the live edition of the International Fastener Expo (IFE) in Las Vegas, NV, USA, Emerald X LLC recognized the value that the IFE show brings to the industry, and it has introduced its first-ever digital event—Match & Meet by IFE—which took place November 11 to 12, 2020. Event Features included the following: AI-powered digital platform, Explore new products/trends, Live conference sessions, Develop business relationships, and Reconnect with industry.



AFC Acquires Master Distribution

AFC Industries acquired Master Distribution, a distributor of channel and pipe fittings as well as related fasteners and accessories such as nuts, clamps, screws, washers, bolts, brackets and post bases. Terms of the deal were not disclosed.

Brunswick, OH-based Master maintains a large stock of steel, 304 stainless, 316 stainless, aluminum, zinc plated, hot dipped galvanized, electro galvanized, painted, and powder coated, for commercial, industrial, infrastructure, utility and energy end markets.



"The acquisition of Master extends the boundaries of our core business by adding a robust line of adjacent products," stated AFC CEO Kevin Godin. "We are excited to apply our institutional experience and expertise to fuel growth at Master."

The deal is the 11th acquisition for AFC since being acquired by Incline Equity Partners in 2015. In January AFC acquired The Chess Group, a distributor of metallic components for OEMs.

Fairfield, OH-headquartered AFC provides supply chain management of fastening and other assembly components. Customers' industries include automotive, defense, fluid-handling, food equipment, lighting, medical, transportation and solar energy. AFC was acquired in 2015 by Incline Equity Partners, a Pittsburgh-based private equity firm.

MW Industries Combines With Life Sciences Business

MW Industries parent company American Securities LLC is acquiring NN Inc.'s Life Sciences division and combining it with the Rosemont, IL-based fastener manufacturer. The \$825 million transaction is expected to close in the fourth quarter of 2020.



"This transaction offers the right partner for Life Sciences and fair value for the business," stated NN CEO Warren Veltman. "The combination with MW Industries will help Life Sciences accelerate growth and innovation across global markets, and position the business for long-term value creation and success to the benefit of all its stakeholders."

NN Life Sciences manufactures implants, surgical instrumentation, single-use disposable devices, and assemblies for medical applications. Core capabilities include precision metal stamping; electron beam welding; CNC milling and turning; plastic injection molding and micro molding; plastic machining; and additive manufacturing. NN, which manufactures high-precision metal and plastic components and assemblies, plans to use the estimated \$700 million in net proceeds from the sale to pay down its debt.

Founded as a tool and die company, Rosemont, IL-based MW Industries manufactures precision springs and specialty fasteners for more than 25,000 customers in 35 countries. Its 50,000 products are sold through a combination of direct sales, catalogs, and distributors to original equipment manufacturers and aftermarket customers in aerospace, medical, electronics, energy, agriculture, construction, and other sectors. In 2017, MW Industries was acquired by equity firm American Securities in partnership with MW Industries management.



Fastenal Fastener Sales Stabilize

Fastenal Co. reported the decline in fastener sales that began in March due to the pandemic continued to slow in August, with sales down 7.3% compared to a 7.5% decrease the previous month. Overall sales at Fastenal dropped 2.2% to \$465.2 million in August, while daily sales rose 2.5% to \$22.15 million during the month. Sales in the U.S. improved 1.9%, while sales in Canada/Mexico rose 3.8%. By end market, sales to manufacturing customers decreased 5%, and sales to non-residential construction customers were down 13.5% in August.

The company's workforce decreased 8.6% during the month to 17,747 employees. Distribution personnel shrank 10.3% to 2,591 while manufacturing personnel declined 11.4% to 624 workers.

"The evolution of a market leader like Fastenal, now heavily invested in shifting to an e-commerce and omni-channel approach, represents where the industry is headed," according to a Market Leaders report by Modern Distribution Management. "Fastenal is closing locations, consolidating inventory, putting its personnel inside customer locations and moving toward e-commerce."

Fastenal reported fastener daily sales declined 16.4% year over year in the second quarter of 2020 to \$392.3 million (26% of total sales) as sales of safety equipment (PPE) surged 116.3% during the quarter. Fastener sales declined 2.6% to \$449.7 million (32.9% of total sales) during the first quarter of 2020.



Fastener Fair USA Rescheduled to June 2021



Fastener Fair USA, the only exhibition in the USA dedicated to the full fastener supply chain, has been rescheduled and will take place June 22 to 24, 2021 (Conference: June 22/Expo Hall: June 23 to 24), and will remain in the Huntington Convention Center in Cleveland, OH, USA. "The wellbeing of the fastener community is our first priority," said Kate Scott, Event VP, Reed Exhibitions. "As

we continue to navigate the COVID-19 pandemic, the decision to hold the next edition of Fastener Fair USA in June of 2021 was made to ensure the highest likelihood that we can get back to business and reconnect as a global fastener industry, in-person." Since 2018, Fastener Fair USA has been the industry event, from automotive to aerospace, construction to HVAC and furniture to appliances, where fastener professionals from all levels of the supply chain come together to find and source the latest products from leading suppliers. Fastener Fair USA will be held in Cleveland, one of the largest manufacturing hubs in North America.

Danish Firm Rose Holm to Establish Its First USA Operations in Virginia



Virginia Governor Ralph Northam, speaking on behalf of the Virginia

Economic Development Partnership (VEDP), recently announced that Danish company, Rose Holm, a leading manufacturer of threaded bolts for the food and beverage, wind power and heat exchange industries in Northern Europe, will invest US\$1.35 million to establish its first USA manufacturing facility in Henrico County in Virginia. The new operation will give the company close proximity to a major customer and further its wind energy efforts.

Virginia successfully competed with Indiana for the project, which will create 10 new jobs. "Virginia is all in for clean energy, and we welcome Rose Holm's decision to locate its first U.S. operation in our Commonwealth," said Governor Northam. "Our Clean Energy Virginia initiative is driving new investment and new jobs in renewable energy, and now it is bringing a new manufacturing facility to Henrico County. We look forward to a strong partnership with Rose Holm as we work to make Virginia a hub for the East Coast offshore wind supply chain and service industries."

Established by Erik Rose Holm in 1953, Rose Holm is a privately owned Danish metal company that specializes in high-quality fastening products with a focus on supplying the global wind energy sector. Combining decades of know-how, logistics, and ongoing investments in the latest advanced manufacturing technology, Rose Holm's two Danish production plants now manufacture fastener solutions year-round. ■

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John Wolz, Editor of FIN (globalfastenernews.com) / Mike McNulty, FTI VP & Editor (www.fastenerstech.com)

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MAXTOOL

E-mail: service@maxtool.com.tw

<http://www.maxtool.com.tw>

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