BEFORE
THE OFFICE OF THE U.S. TRADE REPRESENTATIVE

Section 301 Investigation: China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation	))))))	**Inv. No. USTR-2018-0005**

TESTIMONY OF ALAN SHAW
President and CEO, Electrolux Major Appliances North America

May 15, 2018

Good morning/afternoon Chairman Busis and other distinguished members of the Section 301 Committee. My name is Alan Shaw and I am the President and CEO of Electrolux Major Appliances North America. Thank you for the opportunity to appear before you on such an important issue.

Electrolux is one of the world's leading manufacturers of home appliances, and we been manufacturing in the United States since 1931. Today, here in America, we have 5 manufacturing plants, 4 R&D centers, and 10 distribution centers. We also have more than 9,000 employees. We primarily sell under the Frigidaire and Electrolux brands,

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and we build refrigerators, freezers, ovens and stoves, dishwashers, washing machines and dryers. In 2017, we sold more than 14 million products in North America and saw revenues of nearly $5 billion dollars. I raise these results to emphasize our economic contribution. The 19 facilities that I mentioned are mostly in small towns across America, and we are helping those local economies grow.

With that as background, let me turn to the topic of the day. And I won't sugarcoat it – Section 301 puts our US manufacturing in harm's way because the main beneficiaries of the tariffs will be foreign manufacturers, who are not subject to Section 301, but who are building appliances outside of the US and importing them into our country.

The tariff covers key components in our appliances that, in the near term, we are unable to source outside of China. This means those components will cost more, and ultimately, raise the cost of the appliance. This increased cost creates what I would call an unintended bias against U.S. manufacturers like Electrolux.

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I call this an "unintended" bias because I know that sacrificing U.S. competiveness wasn't the Committee's and the President's goal, but I also know that the consequences of tariffs on many components on this list will be immediate and severe for our company.

But rather than discussing this in the abstract, let me provide a specific example. The current list covers the compressors that go into every single refrigerator and freezer sold in America. There are more than 13 million sold in the US each year. Across the industry, there is no viable American supplier for those compressors, so the tariff will not protect any U.S. industry. All it will do is drastically increase the cost of the single most expensive part of every refrigerator and freezer. Foreign manufacturers, because they are not subject to the tariff, will not have this same increased cost and will therefore not have to raise their consumer price. But we will and this will make the US less competitive. Already, 64 percent of refrigerators and freezers are built outside of the US.

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You might ask why we couldn't just source compressors from other places – that's a legitimate question. To ensure we meet regulatory safety and performance requirements, it will take more than a year to qualify a new compressor supplier. We are already in talks with our supplier but they have confirmed our costs will increase as a result. This, again, demonstrates the unintended bias and one that would not create benefit to U.S. industry.

I've been working in manufacturing for more than 30 years and know the severity of China's unfair trade practices and their adverse effects on U.S. interests. But I'm deeply concerned about the unintended consequence and downside of the tariffs. As I said, we're proud of and committed to U.S. manufacturing. The quality of American-made products is impressive and so are each our 9,000 American workers.

But the proposed tariffs will be a terrible hit – making US manufacturing less competitive without helping any U.S. industry. Said another way, it will cost less to manufacturer outside of the US.

For those reasons, we respectfully request that this Committee consider the ramification of components critical to U.S. industry and that are only available from China or don't have an American supplier; that you protect U.S. companies from the unintended bias and finally that you level the playing field without damaging U.S manufacturing.

Once again, thank you for the opportunity to share our concerns today, and I'd be pleased to answer any questions that the Committee may have.