

Testimony of Charlie Souhrada
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North American Association of Food Equipment Manufacturers (NAFEM)
Office of the U.S. Trade Representative Hearing on Section 301 China
Investigation List 4
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Panel 44
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Members of the Section 301 Committee, thank you for the opportunity to testify today. I am Charlie Souhrada, Vice President of Regulatory & Technical Affairs for the North American Association of Food Equipment Manufacturers or “NAFEM.”

I would like to begin by emphasizing the negative impact that each new round of tariffs is having on NAFEM members. Of the tariff lines presently under consideration for additional tariffs, nearly 500 cover materials, parts, and components used by our members to manufacture commercial foodservice equipment and supplies.

While it is of course true that the tariffs are not a black and white issue for *all* our members, even some members that rely less on imports of Chinese inputs reported as much as a 19% increase in costs of materials. In other words, between the Sec. 232 and 301 tariffs, our members – even ones using only domestic products – are taking a real hit, and each incremental increase places an additional tax on the very same companies these policies are supposed to help.

NAFEM is a trade association of more than 550 manufacturers providing products for the food-away-from-home market. Since 1948, NAFEM has represented North American companies that manufacture the highest quality

foodservice equipment and supplies on the planet such as stoves and ovens, refrigerators, freezers, and ice machines, heated cabinets and racks, tables, cookware, flatware, beverage dispensers and more.

These businesses, their workers, and the products they manufacture, support the foodservice industry, which includes over one million locations in the U.S. and countless more around the world.

NAFEM's members include a range of small, medium, and large businesses throughout the country.

In fact, more than 60% have annual sales of \$5 - \$10 million and qualify as small businesses, according to the Small Business Administration. This is significant because, as *The Wall Street Journal* reported late last year, "this class of company, like others, feels good about the economy ... but compared with larger operations, they have less ability to deflect higher material prices or pass along new costs to customers."

We're happy to report that USTR's removal of certain products from the three finalized lists of Sec. 301 products, *has* had and *will* have a positive impact for many of our members. This provides much-needed relief at a time when these same businesses struggle to deal with steel and aluminum tariffs, which have caused material costs to fluctuate substantially, at one point increasing by approximately 30-40 % only to fall again more recently. These rapid fluctuations in material costs have made effective business planning very difficult.

We also appreciate the panel's questions during the previous Sec. 301 hearings. In particular, we applaud the panel's focus on the challenges of changing supply sources, as this would be particularly true for the targeted items that concern our members.

We are appearing here today to reiterate many of the same issues we raised during the prior three rounds. List 4 contains many items of concern to our members. And just like the first three rounds, we supplied a detailed list of the tariff numbers of concern with our request to appear and have provided further details in our formal comments.

Like the previous lists, imposing tariffs on products included in List 4 has the potential to harm NAFEM members, either by targeting material inputs, tools or equipment used on the shop floor during the manufacturing process.

For instance, List 4 includes parts for items like trash compactors and bakery machinery, as well as important inputs such as a variety of flat-rolled iron and steel, stainless steel, and aluminum products. These items are used by NAFEM members to manufacture some of the products cited earlier. While these List 4 products may be available from other countries, our members rely upon complex manufacturing supply chains. Rebuilding these supply chains will consume vital resources and will take years to reconfigure. This adds a regulatory burden the Administration promised to eliminate a few years ago.

It's important to point out that the items on our list are not high tech. They are not the sort of items that benefit from China's intellectual property practices, nor do they contribute to China's high-tech ambitions.

We believe these tariffs are directly contrary to the Administration's stated

priority of increasing good-paying U.S. manufacturing jobs. Instead, smart, economically competitive sourcing from global suppliers, including those in China, allows manufacturers to control costs, which protects and even expands U.S. jobs.

While we appreciate the President's intent to address China's unfair trade practices, we encourage the administration to do so in a way that does not include tariffs that ultimately hurt and tax American workers, U.S. manufacturers, and consumers.

On behalf of NAFEM members, thank you for the opportunity to testify today and I look forward to any questions.