

Testimony
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“Job Creation Made Easy: The Colombia, Panama and South Korea Free Trade Agreements”

Good Morning. I would like to thank Chairman, Representative Ileana Ros-Lehtinen, and all the members of the Committee for the opportunity to testify before you today. I am Luis Arguello Sr., President & CEO of DemeTech Corporation, a medical device manufacturer of surgical sutures located in Miami, Florida. The reason I have been selected to testify before you today is because DemeTech is primarily an exporter; over 90% of our revenue comes from exports.

I currently do not export to Colombia, Panama and Korea and I ask myself why. It is certainly not due to lack of determination or sluggish performance in seeking out international customers because DemeTech exports to over eighty countries, including Egypt, Saudi Arabia and Libya. That is a figure I am always striving to raise. Just last week, our Vice President visited Botswana and Johannesburg.

The reason why I do not export to these countries is due to the extreme difficulty involved with exporting to these markets. The tariffs currently in place are extremely high, limiting our ability to be competitive and preventing us from breaking into these markets. The solution is to pass these three free trade agreements (FTA).

There is a necessity for these FTAs to be passed because the benefits reaped will be copious. I see incredible potential to boost our exports, create jobs, enhance US competitiveness and strengthen our international relations with these countries, which is becoming increasingly more important in our global economy.

President Obama’s National Export Initiative has been instrumental in creating quantifiable progress in my company. I believe that passing these three FTAs will have a similar effect; they will further our national goal of doubling exports in five years.

"In a global economy, the United States faces increasing competition for the jobs and industries of the future." For example ten years ago, the US was the top exporter to Korea, but we fell from that position because of the stifling tariffs imposed on products. The solution lies in passing the US-Korea Trade Agreement (KORUS).

Currently, Korea is the world’s 11th largest economy and the United States’ 7th largest trading partner. Korea is also the fourth largest market for US medical equipment exports. I strive to enter this market but have hit a wall. Korean medical equipment tariffs average 5.4 percent, ranging up to 50%. This tariff undermines my competitiveness, preventing a relationship with Korea that would greatly benefit my company.

This FTA will provide us with preferential market access to this fast growing economy. This is extremely significant and we need to implement it immediately.

Within five years of implementation of the KORUS, tariffs for over 95% of US exports will be eliminated and more than 90% of tariffs on medical equipment exports will be eliminated, allowing my company to finally break into the market.

The U.S. International Trade Commission estimates that the reduction of Korean tariffs and tariff-rate quotas on goods alone would add \$10 to \$12 billion to annual U.S. GDP, add up to \$11 billion in annual merchandise exports to Korea and create 70,000 jobs.

We cannot afford to wait any longer because a FTA between Korea and the EU took effect July 1st, giving them preferential access and undermining our country's competitiveness. Korea is also negotiating agreements with Peru, Australia and New Zealand. Reclaiming this preferential access with Korea is crucial to the US economy.

Colombia is the second largest market for US goods exports in Central and South America and our 20th largest export market worldwide. The International Trade Commission (ITC) has estimated that the tariff reductions from the US-Colombia Trade Promotion Agreement (CTPA) will expand US exports by \$1.1 billion and the US GDP is expected to increase by approximately \$2.5 billion.

There is a considerable amount of value in fostering this relationship with this Colombia because this ally is extremely supportive of US interests. However, Colombia is partaking in trade negotiations with other countries.

In addition to its FTAs with Canada and the EU, Colombia has initiated formal trade negotiations with South Korea, Turkey, and potentially Japan. If those are implemented before ours, we will be at a disadvantage and could potentially lose our share in the market.

I would like to give an example of an exporter of US made auto parts in South Florida called Lindeco Int. that has been exporting internationally, especially in South America for over 50 years. In Colombia their exports are assessed at a 5 to 15% tariff rate.

Today the Colombian market is inundated with low quality parts from China, Taiwan and India. It is calculated that if this tariff is removed with the passage of the FTA, there could be a decrease of 20% in cost. This price reduction would level the playing field with the low quality parts from China. High quality parts with a 20% decrease in cost will induce the Colombian market to purchase Made in USA versus Made in China.

This company is a good example to promote the passage of these agreements because they have been affected by a similar scenario in the past. During the 1980s when they were exporting heavily to Chile, a FTA was signed between Chile and Japan. In less than 3 years Lindeco was pushed out of the Chilean market and Japan was the market leader for the next 15 years. That is, until the US signed a FTA with Chile. Since then, Lindeco has been able to strategically position itself back into the Chilean market and increase their revenues.

Panama is the United States' 7th largest manufacturing export market in Central and South America. Strengthening relations with Panama is an integral move on our part heightened because of the Panama Canal expansion, a \$5.25 billion project that will double its shipping capacity.

Panama has signed a trade agreement with Canada and an Association Agreement with the EU. Without the US-Panama Trade Promotion Agreement (TPA), Canadian and European exports to machinery and transportation equipment for the Canal will have a serious advantage over US supplies. The TPA would guarantee US firms the opportunity to participate on a competitive basis and this is a prospect we do not want to risk losing.

The FTAs will also equalize the imbalance in tariffs. Currently, 99% of goods from Colombia enter the US duty free; however less than 40% of US exports entering Colombia have an average tariff of 9%. Within five years of implementation of the FTAs, tariffs for over 87% of US exports will be eliminated.

Currently, 98% of goods from Panama enter the US duty free; however less than 40% of US exports entering Panama are duty free. After implementation of the FTAs, tariffs for over 87% of US exports will be eliminated.

Since "we now live in a world where technology has made it possible for companies to take their business anywhere," we should not let policy and partisan political differences limit us from economic progress.

In 2009 the US medical equipment sector employed over 274,000 workers. I am proud to say that my company contributed to that figure and will continue to do so, consistent with a continued increase in exports. I ask you to facilitate this growth.

I believe it is in the National interest to approve these agreements and offer strategic advantages to the US. We should not permit our lead to slip through our fingers and fall behind the EU or other countries. The elimination of these tariffs will provide US exporters with the competitive boost we NEED. We are in the position to put ourselves ahead of the game in exporting to Colombia, Panama and South Korea but we must be proactive. I ask for your cooperation to implement these necessary trade agreements.

Thank you for the opportunity to speak to you today and I welcome your questions.

