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## DEPARTMENT OF COMMERCE

International Trade Administration

Safety and Security Trade Mission to Panama and Columbia, September 22 – 26, 2014

**AGENCY:** International Trade Administration, Department of Commerce.

**ACTION:** Notice.

### MISSION DESCRIPTION

The United States Department of Commerce, International Trade Administration, U.S. and Foreign Commercial Service (US&FCS) is organizing a Trade Mission to Panama City, Panama and Bogotá, Colombia, with an optional port security site visit to Cartagena, Colombia (for an additional fee), from September 22-26, 2014. The purpose of this mission is to assist U.S. companies in launching or increasing exports of U.S. safety and security goods or services to Panama and Colombia. The mission will include business-to-business matchmaking appointments with local companies, as well as market briefings and networking events.

**TARGET SECTORS FOR U.S. EXPORTERS INCLUDE:** industry security and safety, intrusion protection, burglary and robbery, fire protection and suppression, surveillance, access control, personal protection, workplace safety, security risk assessment consulting, and law enforcement products and services. In addition, opportunities exist for companies offering port and infrastructure security. In both Colombia and Panama the governments and private sector are investing some \$30 billion in infrastructure projects, heavily focused on road projects, airport modernization, sea and river port developments, and rail line upgrades. As a result, the mission will include port and infrastructure security as a focus.

## **II. COMMERCIAL SETTING**

### **Panama**

Panama has historically served as the crossroads of trade for the Americas. Its strategic location as a bridge between two oceans and the meeting of two continents has made Panama not only a maritime and air transport hub, but also an international trading, banking, and services center.

Panama's global and regional prominence is being enhanced by recent trade liberalization and privatization, and it is participating actively in the hemispheric movement toward free trade agreements. Panama's dollar-based economy offers low inflation in comparison with neighboring countries and zero foreign exchange risk. Its government is stable and democratic and actively seeks foreign investment in all sectors, especially services, tourism and retirement properties.

Panama and the U.S. recently implemented a Trade Promotion Agreement (TPA) that has had the effect of eliminating some 90% of tariffs and duties on U.S. exports to Panama. But even before the implementation of the TPA, the U.S. was Panama's most important trading partner, with about 30% of the import market, and U.S. products have enjoyed a high degree of acceptance in Panama. In 2013, U.S. exports to Panama increased 10% to \$10.8 billion – in no small part due to the fact that Panama's economy grew 7.5%. U.S. exports to Panama have increased every year since 2009, growing by more than two and half times over that period.

However, international competition for sales is strong across sectors including telecommunications equipment, automobiles, heavy construction equipment, consumer electronics, computers, apparel, gifts, and novelty products.

Panama now enjoys investment grade rating status, granting the Government of Panama international recognition for recent tax reforms and its record of steady GDP growth while keeping its deficits under control (even in 2009, a dismal year for the world economy, Panama's

economy grew 2.9% and the Government of Panama's deficit was only 1% of GDP). Not only does the investment-grade rating lower the cost of borrowing for the Government of Panama, but it sends a strong market signal that Panama, even while carrying a debt ratio that is relatively high, is one of only five Latin American countries to achieve this distinction.

Panama's economy is based primarily on a well-developed services sector, accounting for about 75% of GDP. Services include the Panama Canal, banking, the Colon Free Zone, insurance, container ports, and flagship registry. Panama is currently engaged in the Panama Canal expansion project. This project, in conjunction with the expansion of the capacities of its ports on both the Atlantic and Pacific coasts, will solidify Panama's global logistical advantage in the Western Hemisphere.

This logistical platform has aided the success of the Colon Free Zone (CFZ), the second largest in the world after Hong Kong, which has become a vital trading and transshipment center serving the region and the world. CFZ imports – a broad array of luxury goods, electronic products, clothing, and other consumer products - arrive from all over the world to be resold, repackaged, and reshipped, primarily to regional markets. Because of this product mix, U.S. brand market share is significant, even if most of those products are made in Asia.

### Safety and Security Industry

The outlook for the Panamanian safety and security market is positive, with total market size in 2013 estimated to grow to \$74 million. Local production of safety and security equipment is minimal and there is a marked preference for U.S. products due to their reliability, innovation, and diversity, as well as the close geographic proximity and favorable conditions for air and sea

freight from the United States. The demand for safety and security products and systems is driven by ever-increasing concerns over personal safety, more stringent work-related regulations and growth in the tourism, construction, real estate, banking, gambling, maritime, and duty free zone. While the crime rate is still relatively low, particularly by Latin American standards, it has risen in the last few years and there is increasing public awareness of the need to respond.

Commercial institutions and households are usual targets for armed assaults. There is also an increasing need for security equipment in residential areas and public places. Because of raising labor costs, many businesses and households are automating security. Additionally, the boom in the construction sector and the expansion of the Panama Canal is generating strong demand for safety equipment. Port expansion, new airports, new mall development, the Metro transportation system, and the Panama Canal expansion will provide excellent opportunities for U.S. safety and security equipment exporters.

## **Colombia**

The U.S.-Colombia Trade Promotion Agreement (TPA), which entered into force on May 15, 2012, creates market opportunities for U.S. firms in a number of sectors. The U.S.-Colombia TPA provides duty-free entry for over 80 percent of U.S. consumer and industrial exports to Colombia, with remaining tariffs to be phased out over the next 10 years and provides greater protection for intellectual property rights (IPR). Colombia's traditional acceptance of U.S. brands as well as U.S. and international standards provide a solid foundation for U.S. firms seeking to do business there.

Colombia is the third largest market in Latin America, after Mexico and Brazil, and is ranked 22nd globally as a market for U.S. exports. Over the past 10 years, Colombia has become one of

the most stable economies in the region. Improved security, sound government policies, steady economic growth, moderate inflation and a wide range of opportunities make it worthwhile for U.S. exporters to consider Colombia as an export destination. With more than 45 million people, an improved security environment, an abundance of natural resources, and an educated and growing middle-class, business opportunities are booming in Colombia. The country's last two governments implemented policies that took Colombia on the path to global competitiveness, opening it up to global trade and investment for 10 consecutive years. Colombia's strong economic growth, moderate inflation rates, and sound fiscal policies have made it a haven of stability in a time of economic uncertainty. Over the last decade, the country's economy is estimated to have grown over 4% on average; inflation was kept in the single digits and is expected to remain well within the Central Bank of Colombia's 2% to 4% range. Furthermore, the Government's strict fiscal discipline led many international credit agencies to improve Colombia's credit rating to investment grade for the first time in over 10 years. Increasing Foreign Direct Investment (FDI) in Colombia demonstrates Colombia's rise as a business destination. In 2011, FDI into Colombia reached a historic US\$13.4 billion from only US\$2.4 billion in 2000, a fivefold increase in just ten years, with forecasts of continued growth through the next five years.

By 2011, Colombia's total international trade surpassed US\$111 billion; exports reached US\$56 billion while imports reached a historic US\$55 billion. After implementing free trade agreements (FTAs) with the United States and with Canada, Colombia continues to move aggressively in opening up to trade, seeking to quickly implement FTAs negotiated with the European Union

and South Korea, as well as moving ahead in negotiations with countries such as Japan, Turkey, Costa Rica and Israel.

### Safety and Security and Defense Industry

The safety and security market in Colombia is a very dynamic sector, growing at an estimated rate of 5 to 10% per year. In addition, Colombian defense spending increased from US\$14.7 billion in 2012 to US\$15.1 billion in 2013, providing opportunities for U.S. defense technologies, equipment, and services that overlap into the safety and security sector. Market opportunities exist for safety and security industry products such as CCTV cameras, telephones for security, reproduction and record devices for security, data processing equipment, radio transmission, biometric equipment, and communication jammers, among others. Opportunities exist in the security and defense sector for trucks and light armored vehicles (LAV-4x4 and 8x8), engines and turbines military apparel and footwear, fixed-wing and rotary wing aircraft helmets, anti-IEDs (improvised explosive devices), IED and mine detectors, body armor and personal body armor equipment, handheld navigation systems, Unmanned Aircraft Vehicles (UAV), GPS, modern communication systems (MCS), IT-structure platforms, logistics software solutions and software applications, flight simulators, air cruise control, flat bottom aluminum river boats, and marine and coastal surveillance systems and equipment. In regards to services, there is a significant need for security assistance, maintenance and assistance to the Army, Police and Air Force. Helicopter and fixed-wing aircraft maintenance and repair services are especially in need- in 2014 Colombia's fleet of Sikorsky AH 60L will most likely be undergoing overhauls. The Colombian military has potential in the fields of specialized training for all new communications

systems, medical training, and environmental training for hazardous material (HAZMAT) management, transport, process and dispose of HAZMAT, expertise in demolition, technical support for reconnaissance and analysis, and security operations.

## Overview of Colombia's Defense and Security Structure

Colombia's internal and external defense and security structure includes the Army, Navy (Marines and Coast Guard), Air Force, and the National Police. Real military spending increased from US\$ 14.7 billion in 2012 to US\$ 15.1 billion in 2013<sup>1</sup> (this figure includes other costs). The total military spending has been on average 3.7 percent of the country's total GDP (2009 to 2013)<sup>2</sup>. Under Plan Colombia, significant U.S. funding, technical assistance, and equipment support has been provided to Colombian-led counter narcotic programs for drug eradication and interdiction, and expansion of the capacity of Colombian military and police. The current format of Plan Colombia expired in 2012, with the consequent nationalization of military programs by the Colombian government. For 2014 some spending may shift to drug eradication and peace keeping programs, especially if the peace negotiations that are currently undergoing with the FARC Rebel forces in Cuba are achieved. Despite the peace negotiations process, the Colombian government is expected to continue military actions and spending to fight narco-terrorism, and gain security area through its police force, especially to develop security surveillance and enforcement in remote and isolated regions of the country.

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<sup>1</sup> [http://www.gsed.gov.co/irj/go/km/docs/Mindefensa/Documentos/descargas/Sobre\\_el\\_Ministerio/Planeacion/Presupuesto/Presupuesto\\_2013.pdf](http://www.gsed.gov.co/irj/go/km/docs/Mindefensa/Documentos/descargas/Sobre_el_Ministerio/Planeacion/Presupuesto/Presupuesto_2013.pdf)

<sup>2</sup> <http://data.worldbank.org/indicator/MS.MIL.XPND.GD.ZS>

Through the Foreign Military Sales Trust Fund, the U.S. Department of Defense (DOD) provides equipment and training to the Colombian military and police through military assistance programming. The Department of State (DOS), military sales, and the international narcotics control program are other sources of funding. The Office of Aviation and Narcotics Affairs has been the main source of funding for equipment acquisition in Colombia since 1990, through private military consulting firms such as DynCorp. These firms operate through an open market competitive bidding system. However, U.S. funding is expected to significantly decrease at a rate of 10% over the next five years, from US\$ 157 million in 2011 to US\$ 133 million in 2012<sup>3</sup>. The Colombian congress approved Law 80 of 1993, under which procurement of goods and services for security and national defense made in Colombia by local manufacturers, must be purchased over goods made by foreign manufacturers and exporters<sup>4</sup>. However, under the National Treatment Caveat, Chapter 9 United States-Colombia bilateral trade agreement (U.S.-CTPA), U.S. companies must be treated as locals when they participate on public bids eliminating the disadvantage they used to have prior to the signing of the agreement.

In 2002, the Colombian government created a Wealth Tax to collect US\$ 800 million from large companies or wealthy individuals, 70% of which was used to increase 2002-2003 defense spending. A similar tax in 2007-2011 was collected close to USD 3.7 billion, of which a significant portion was founded defense spending. The Colombian Army receives 60% of funding, followed by the Air Force with 25% and the Police with 10%.

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<sup>3</sup> Unofficial estimates from Narcotic Affairs Section NAS

<sup>4</sup> See chapter two of the Law 80 of 1993:

<http://www.alcaldiabogota.gov.co/sisjur/normas/Norma1.jsp?i=46940#0>

The U.S. has had a privileged relationship with Colombia in regards to military equipment acquisitions; however, new competitors from England, France, South Korea, and Spain have gained some notoriety. The Colombian military tends to use standardized equipment and values relationship, trust and familiarity with equipment (as exemplified by their consistent use of the same type of rifles), however, foreign manufacturers are gaining market share. According to the unofficial estimates, U.S. imports represent close to 50% of the total imports of military equipment, out of the unofficial estimates which are calculated to be close to US\$ 1.3 billion (2012).

## Opportunities

Military and security equipment trends have remained the same post-Plan Colombia, since the government continues to support drugs interdiction and eradication efforts. Due to the significant improvement of national security, the Colombian Air Force has been more involved with military and civilian rescue operations. The Air Force created in 2010 a new rescue unit and continues to purchase rescue equipment and life support systems. The National Police is expanding its activity on civilian and urban surveillance, adapting its force and upgrading its equipment to this environment. Recent navy purchases have shown the governments interest to increase the guarding of the Caribbean coast, especially around the San Andres and Providencia Isles, which are under watch, due to Nicaragua's intent of claiming more Caribbean territory from Colombia. There has also been the intent from the Minister of Defense Juan Carlos Pinzon to purchase close to 20 fighter jets, some of the possible candidates may include the F-16 and Boeings F-18 Hornet however, and this intent has been put on hold until further notice in 2014.

In 1990, the U.S. Office of Aviation and Narcotics Affairs provided 18 UH- 1N helicopters, buying 36 more over the years. In 2010, the Colombian military had 280 helicopters and 200 fixed-wing aircraft with no major new purchases projected until 2015 with the exception of some possible interest to purchase helicopters with higher capacity to transport troops and equipment. Due to recent aircraft acquisition, there are significant opportunities for training, parts and maintenance for these aircraft, especially for Blackhawk rotor blades repair services and erosion-resistant coating systems. Other opportunities include: perimeter security protection systems (convoy security, security walls and fences, and video surveillance systems), safety, survival accessories, search & rescue equipment, protective clothing, emergency medical equipment, trauma-life support systems.

The security forces number about 435,000 uniformed personnel: 285,000 in the military and 150,000 in the police. From 2012 to 2015, key needs will be armament and personal arms (up to USD 1 million a year), night vision goggles (up to USD 1 million a year), anti-ballistic missiles (ABM) (up USD1 million a year), survival equipment and kits (up to USD 400.000 a year), flight suits, footwear (up to US\$ 200.000 a year), personal arms (M4 rifles, M9 pistols), grenades, binoculars, and medical equipment. The Colombian army is looking into upgrading its equipment and uniforms, with engineered textile solutions, smart textiles materials, as well as integrated communication aircraft helmets.

On May 15, 2012 the FTA agreement between the U.S and Colombia entered into effect finishing the implementation phase. 80 percent of U.S. exports of consumer and industrial

products to Colombia are duty-free immediately upon entry into force, with remaining tariffs phased out over ten years. Other provisions include strong protection for U.S. investors (legal stability), expanded access to service markets, greater intellectual property rights protection, market access for remanufactured goods, increased transparency and improved dispute settlement mechanisms (arbitration). The majority of Defense and Military equipment have zero tariffs since the FTA has been implemented. Prior to the agreement the tariff ranged between 5% and 20%. The U.S.-Colombia TPA also reduced tariffs for a wide variety of products and services in the safety and security industries.

### **III. MISSION GOALS**

The goal of the trade mission to Panama and Colombia is to help participating firms gain market insights, make industry contacts, solidify business/sector strategies, and advance specific projects, with the goal of increasing U.S. exports to Panama and Colombia. Participants will have access to the US&FCS Senior Commercial Officers in Panama City and Bogotá and to US&FCS Commercial Specialists during the mission. They will learn about the many business opportunities in Panama and Colombia, and gain first-hand market exposure. Participants already doing business in Panama or Colombia will have opportunities to further advance business relationships and projects in that market. U.S. companies new to either country will gain support in finding agents, distributors, and joint venture partners through this mission, laying the foundation for successful long-term ventures by providing business-to-business introductions and market access information.

#### IV. MISSION SCENARIO

The mission will stop in Panama City, Panama and Bogotá, Colombia. In each city, participants will meet with pre-screened potential agents, distributors, and representatives, as well as other business partners and government officials. They will also attend market briefings by U.S. Embassy officials and networking events offering further opportunities to speak with local business and industry decision-makers. In addition, there may be an optional spin-off offered for an additional fee for port security companies to visit and tour the port of Cartagena, Colombia at the end of the mission on Friday, September 26<sup>th</sup>. Companies interested in this option should contact April Redmon at [april.redmon@trade.gov](mailto:april.redmon@trade.gov) for more information.

#### V. PROPOSED TIME TABLE

<b>Monday, September 22, 2014</b> <b>Panama City, Panama</b>	Market Briefing Matchmaking appointments Networking reception
<b>Tuesday, September 23, 2014</b> <b>Panama City, Panama</b>	Matchmaking appointments and/or site visits  Afternoon tour of the Miraflores Locks and Panama Canal
<b>Wednesday, September 24, 2014</b> <b>Bogotá, Colombia</b>	Travel to Bogotá, Colombia  Market Briefing Networking reception

<b>Thursday, September 25, 2014</b>  <b>Bogotá, Colombia</b>	Matchmaking Appointments
<b>Friday, September 26, 2014</b>  <b>Bogotá, Colombia</b>	Half-Day of Matchmaking Appointments  Departure/End of Mission  *an optional site visit to the port in Cartagena, Colombia may be possible for interested port-security companies for an additional fee

## **VI. PARTICIPATION REQUIREMENTS**

All parties interested in participating in the Safety and Security Trade Mission to Panama and Colombia must complete and submit an application for consideration by the Department of Commerce. All applicants will be evaluated on their ability to meet certain conditions and best satisfy the selection criteria as outlined below. A minimum of 15 U.S. companies and/or trade associations and maximum of 17 companies and/or trade associations will be selected to participate in the mission from the applicant pool. U.S. companies or trade associations already doing business with Panama and Colombia, as well as U.S. companies or trade associations seeking to enter these countries for the first time may apply.

### **Fees and Expenses:**

After a company and/or trade association has been selected to participate on the mission, a payment to the Department of Commerce in the form of a participation fee is required.

The participation fee will be US\$3,600 for a small or medium-sized enterprise (SME)<sup>5</sup> and US\$3,905 for a large firm.

The fee for each additional representative is US\$450.

Expenses for travel to and from the mission, lodging, most meals, and incidentals will be the responsibility of each mission participant.

**Conditions of Participation:**

- An applicant must submit a completed and signed mission application and supplemental application materials, including adequate information on the company's products and/or services primary market objectives, and goals for participation. If the Department of Commerce receives an incomplete application, the Department may reject the application, request additional information, or take the lack of information into account when evaluating the applications.
- Each applicant must also certify that the products and services it seeks to export through the mission are either produced in the United States, or, if not, marketed under the name of a U.S. firm and have at least fifty-one percent U.S. content. In the case of a trade association or trade organization, the applicant must certify that, for each company to be represented by the trade association or trade organization, the products and services the represented company seeks to export are either produced in the United States or, if not, marketed under the name of a U.S. firm and have at least fifty-one percent U.S. content.

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<sup>5</sup> An SME is defined as a firm with 500 or fewer employees or that otherwise qualifies as a small business under SBA regulations (see [http://www.sba.gov/services/contracting\\_opportunities/sizestandardtopics/index.html](http://www.sba.gov/services/contracting_opportunities/sizestandardtopics/index.html)). Parent companies, affiliates, and subsidiaries will be considered when determining business size. The dual pricing reflects the Commercial Service's user fee schedule that became effective May 1, 2008 (see <http://www.export.gov/newsletter/march2008/initiatives.html> for additional information).

## **Selection Criteria for Participation:**

Selection will be based on the following criteria, listed in decreasing order of importance:

- Suitability of the company's (or, in the case of a trade association or trade organization, represented companies') products or services for the Panamanian and Colombian markets
- Company's (or, in the case of a trade association or trade organization, represented companies') potential for business in Panama and Colombia, including likelihood of exports resulting from the mission
- Consistency of the applicant's goals and objectives with the stated scope of the trade mission

Referrals from political organizations and any documents containing references to partisan political activities (including political contributions) will be removed from an applicant's submission and not considered during the selection process.

## **VII. TIMEFRAME FOR RECRUITMENT AND APPLICATIONS**

Mission recruitment will be conducted in an open and public manner, including publication in the Federal Register, posting on the U.S. Department of Commerce trade mission calendar ([www.export.gov/trademissions](http://www.export.gov/trademissions)) and other Internet web sites, press releases to general and trade media, notices by industry trade associations and other multiplier groups, and publicity at industry meetings, symposia, conferences, and trade shows.

Recruitment will begin immediately and conclude no later than Friday, June 20, 2014. The U.S. Department of Commerce will review applications and make selection decisions on a rolling

basis until the maximum of seventeen participants is reached. We will inform all applicants of selection decisions as soon as possible after applications are reviewed. Applications received after the June 20<sup>th</sup> deadline will be considered only if space and scheduling constraints permit.

## **HOW TO APPLY:**

Applications can be downloaded from the trade mission website or can be obtained by contacting April Redmon at the U.S. Department of Commerce (see contact details below.) Completed applications should be submitted to April Redmon.

## **CONTACTS:**

### **U.S. Commercial Service**

#### **Safety and Security Team:**

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