

June 28, 2007

The Honorable Alejandro Ferrer
Minister of Commerce and Industry
Republic of Panama

Dear Minister Ferrer:

I have the honor to confirm the following understandings reached between the delegations of the United States and Panama in the course of negotiations regarding Chapter Four (Rules of Origin and Origin Procedures) and Chapter Five (Customs Administration and Trade Facilitation) of the United States – Panama Trade Promotion Agreement between our two Governments signed this day (the “Agreement”):

For purposes of its free trade agreements, the United States considers that the wholesale purchase or sale of a good in a non-Party’s free trade zone does not constitute subsequent production or any other operation, and consequently is not relevant in determining whether the good qualifies as an “originating” good under those agreements. Accordingly, the United States considers that, for purposes of Article 5.11 (Third Country Transportation) of the United States-Australia Free Trade Agreement, Article 4.9 (Transit and Transshipment) of the United States-Bahrain Free Trade Agreement, Article 4.11 (Transit and Transshipment) of the United States-Chile Free Trade Agreement, Article 4.12 (Transit and Transshipment) of the Dominican Republic-Central America-United States Free Trade Agreement, Article 5.9 (Transit and Transshipment) of the United States-Morocco Free Trade Agreement, Article 4.11 (Transshipment) of the North American Free Trade Agreement, and Article 3.12 (Third Country Transportation) of the United States-Singapore Free Trade Agreement, the wholesale purchase or sale of a good in a Panamanian free zone does not constitute subsequent production or any other operation, and consequently is not relevant in determining whether the good qualifies as an “originating” good under any of those agreements.

At Panama’s request, promptly after the United States implements any free trade agreement that it enters into after today’s date, the Parties shall consult on whether to add the pertinent provision of that agreement to the list set out in the preceding paragraph.¹

I have the honor to propose that these understandings shall be treated as an integral part of the

¹ The Parties shall initiate any such consultations through the Free Trade Commission established under Article 19.1 (The Free Trade Commission) of the Agreement.

The Honorable Alejandro Ferrer
Page Two

Agreement and that this letter and your letter of confirmation in reply shall constitute an agreement between our two Governments.

Sincerely,

Susan C. Schwab

[COURTESY TRANSLATION]

June 28, 2007

The Honorable Susan C. Schwab
United States Trade Representative
Washington, D.C.

Dear Ambassador Schwab:

I am pleased to acknowledge your letter of today's date, which reads as follows:

“I have the honor to confirm the following understandings reached between the delegations of the United States and Panama in the course of negotiations regarding Chapter Four (Rules of Origin and Origin Procedures) and Chapter Five (Customs Administration and Trade Facilitation) of the United States – Panama Trade Promotion Agreement between our two Governments signed this day (the “Agreement”):

For purposes of its free trade agreements, the United States considers that the wholesale purchase or sale of a good in a non-Party's free trade zone does not constitute subsequent production or any other operation, and consequently is not relevant in determining whether the good qualifies as an “originating” good under those agreements. Accordingly, the United States considers that, for purposes of Article 5.11 (Third Country Transportation) of the United States-Australia Free Trade Agreement, Article 4.9 (Transit and Transshipment) of the United States-Bahrain Free Trade Agreement, Article 4.11 (Transit and Transshipment) of the United States-Chile Free Trade Agreement, Article 4.12 (Transit and Transshipment) of the Dominican Republic-Central America-United States Free Trade Agreement, Article 5.9 (Transit and Transshipment) of the United States-Morocco Free Trade Agreement, Article 4.11 (Transshipment) of the North American Free Trade Agreement, and Article 3.12 (Third Country Transportation) of the United States-Singapore Free Trade Agreement, the wholesale purchase or sale of a good in a Panamanian free zone does not constitute subsequent production or any other operation, and consequently is not relevant in determining whether the good qualifies as an “originating” good under any of those agreements.

At Panama's request, promptly after the United States implements any free trade agreement that it enters into after today's date, the Parties shall consult on whether to add the pertinent provision of that agreement to the list set out in the preceding paragraph.¹

¹ The Parties shall initiate any such consultations through the Free Trade Commission established under Article 19.1 (The Free Trade Commission) of the Agreement.

I have the honor to propose that these understandings shall be treated as an integral part of the Agreement and that this letter and your letter of confirmation in reply shall constitute an agreement between our two Governments.”

I have the honor to confirm that my Government shares these understandings, which shall be treated as an integral part of the Agreement, and that your letter and this letter in reply shall constitute an agreement between our two Governments.

Sincerely,

Alejandro Ferrer