April 25, 2007

The Honorable Susan C. Schwab
United States Trade Representative
Executive Office of the President
Washington, D.C. 20508

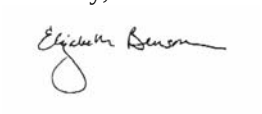
Dear Ambassador Schwab:

Pursuant to Section 2104 (e) of the Trade Act of 2002 and Section 135 (e) of the Trade Act of 1974, as amended, I am pleased to transmit the report of the Industry Trade Advisory Committee for Services and Finance Industries (ITAC 10) on the U.S.-Panama Trade Promotion Agreement reflecting consensus support for the proposed Agreement.

Sincerely,

Robert Vastine
Chairman, ITAC 10

Sincerely,



Elizabeth Benson
Vice-Chairman, ITAC 10

The United States-Panama Trade Promotion Agreement

Report of the
Industry Trade Advisory Committee on Services and Finance Industries (ITAC 10)

April 25, 2007

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Industry Trade Advisory Committee on Services and Finance Industries (ITAC 10)

Advisory Committee Report to the President, the Congress and the United States Trade Representative on the U.S. – Panama Trade Promotion Agreement (TPA).

I. Purpose of the Committee Report

Section 2104 (e) of the Trade Act of 2002 requires that advisory committees provide the President, the U.S. Trade Representative, and Congress with reports required under Section 135 (e) of the Trade Act of 1974, as amended, not later than 30 days after the President notifies Congress of his intent to enter into an agreement.

Under Section 135 (e) of the Trade Act of 1974, as amended, the report of the Advisory Committee for Trade Policy and Negotiations and each appropriate policy advisory committee must include an advisory opinion as to whether and to what extent the agreement promotes the economic interests of the United States and achieves the applicable overall and principle negotiating objectives set forth in the Trade Act of 2002. The report must also include an advisory opinion as to whether the agreement provides for equity and reciprocity within the sectoral or functional area.

Pursuant to these requirements, the Industry Trade Advisory Committee on Services and Finance Industries (ITAC 10) hereby submits the following report.

II. Executive Summary of Committee Report

The committee believes the U.S.- Panama Free Trade Agreement meets the high standards set by ITAC 10 for its provisions on services and investment. In so doing, the Agreement provides new and expanded trade and investment opportunities for United States and Panamanian businesses. ITAC 10 strongly recommends that Congress implement it.

As in the case of other U.S. trade agreements, the Panama Agreement follows a standard textual model, differing from others mainly in the nature of the reservations taken by Panama. And, as is the case with our other trade agreements the Panama Agreement is a solid agreement, which offers significant benefits for U.S. service suppliers in the Panama market.

When implemented, the Panama Agreement will become part of an extensive network of trade agreements, which the U.S. Government has concluded with our hemisphere trading partners, including the North American Free Trade Agreement, the Dominican Republic-Central America-United States Free Trade Agreement and the U.S.-Chile Free Trade Agreement. When these are combined with other pending trade agreements in the region, U.S. services providers and investors will enjoy vastly enhanced market access in the great majority of Latin America. The strategic implications of this extraordinary market should not be underestimated. Taken together, they will provide predictability and certainty for U.S. business throughout the region and induce other trading partners, such as Brazil and Argentina, to join this very powerful trading bloc in order to enjoy its benefits. As these economies grow

and prosper through open trade, this model can also serve as a strong example for other economies in the region, such as Ecuador and Bolivia.

The Agreement also makes great progress in opening up services markets in many sectors, eliminating many investment and cross-border restrictions across the range of services sectors. Panama's commitments to the U.S. substantially exceed those it made in the Uruguay Round in the GATS by locking in and/or improving upon current treatment of U.S. firms in a wide range of important service sectors, including financial, telecommunications, computer, express delivery, energy, distribution, and audiovisual services.

Panama has for example committed to lift restrictions on retail trade and provided new access for U.S. nationals to provide professional services, most of which previously had been reserved exclusively to Panamanian nationals. The Agreement includes the right for U.S. financial firms to establish in Panama as home office branches or as subsidiaries. It permits U.S.-based investment companies to provide portfolio management and advisory services to both mutual funds and pension funds in Panama on a cross-border basis.

Panama will permit U.S. Certified Public Accountants (CPAs) to obtain Panamanian certification on a reciprocal basis, i.e., Panama will eliminate its nationality requirement for U.S. CPA's whose home jurisdiction permits Panamanian nationals to obtain a license. The Agreement also provides for temporary licensing of professionals who are recognized experts. These commitments are especially important to U.S. individual professionals and small firms and we are pleased that they are included in this agreement.

The Agreement has the further advantage because it is based on the negative list approach to negotiations, meaning that the Agreement creates free trade in services except for listed exceptions.

The Agreement includes generally strong protections for U.S. investors that are critical to promote greater U.S. participation of U.S. service providers in Panama's market.

Further, greater transparency in domestic regulation will enhance the quality of the regulatory environment, and help create new market opportunities for U.S. services providers.

III. Brief Description of the Mandate of the Industry Trade Advisory Committee on Services and Finance Industries (ITAC 10)

ITAC 10 performs such functions and duties and prepares reports, as required by Section 135 of the Trade Act of 1974, as amended, with respect to the services sector. To fulfill its mandate the ITAC meets at least monthly to review negotiations with U.S. trade officials and to advise as required by law.

ITAC 10 advises the Secretary of Commerce and the U.S. Trade Representative (USTR) concerning the trade matters referred to in Sections 101, 102, and 124 of the Trade Act of 1974, as amended; with respect to the operation of any trade agreement once entered into; and

with respect to other matters arising in connection with the development, implementation, and administration of the services trade policy of the United States, including those matters referred to in Reorganization Plan Number 3 of 1979 and Executive Order 12188, and the priorities for actions there under.

In particular, ITAC 10 provides detailed policy and technical advice, information, and recommendations to the Secretary of Commerce and the USTR regarding trade barriers and implementation of trade agreements negotiated under Sections 101 or 102 of the Trade Act of 1974, as amended, and Sections 1102 and 1103 of the 1988 Trade Act, which affect the services sector, and performs such other advisory functions relevant to U.S. trade policy as may be requested by the Secretary and the USTR or their designees.

IV. Negotiating Objectives and Priorities of the Industry Trade Advisory Committee on Services and Finance Industries (ITAC 10)

ITAC 10's overall goal is to liberalize trade in the wide range of services provided by U.S. businesses, thereby promoting the expansion and health of the U.S. economy and, by extension, the economies of its trading partners.

U.S. services industries provide about 87 million jobs, or 80% of total private sector employment. Most new jobs are services jobs. Between 1993 and 2003 services added 20.3 million new U.S. jobs.

According to the U.S. Bureau of Labor Statistics, 90% of all the 21.3 million new jobs to be created over the next 8 years will be services jobs.

U.S. exports of services were $413 billion in 2006, providing a surplus of $73 billion in cross border trade. Sales of U.S. foreign affiliates were $490 billion in 2004, the latest year for which these data are available.

ITAC 10's objective for this and other trade agreements is to achieve substantial additional market access for U.S. service industries. This means commitments to greater access to foreign markets for U.S. cross border trade, to investment abroad, and to the temporary movement of persons who provide services. Without similar U.S. commitments extended to our trading partners, U.S. service providers will be less able to realize the full opportunities this Agreement and others like it appear to offer.

With respect to the protection of U.S. investment abroad, ITAC 10's objective is to ensure high levels of protection for U.S. investors. These include: assurance of national treatment and most-favored nation treatment, protection against expropriation without prompt and full compensation; the free transfer of capital both into and out of the country, fair and equitable treatment and full protection and security by local agencies and courts, a prohibitions of performance requirements on foreign investors, and effective and efficient investor-state dispute settlement procedures.

ITAC 10 also sees an opportunity to advance U.S. policy objectives to liberalize foreign markets by focusing U.S. agencies' and private entities' efforts to provide technical assistance and trade-related capacity-building abroad, especially in developing countries and transitional economies. ITAC 10 believes that intensive technical assistance is imperative in many parts of the world if mutual trade liberalization goals are to be attained.

With respect to government procurement, ITAC 10's objective is to ensure access on a transparent, open and non-discriminatory basis to foreign government procurements for U.S. service providers and, where needed, to objective reviews of procurement decisions.

V. Advisory Committee Opinion on Agreement

Overall, the Committee believes that the U.S.-Panama Trade Promotion Agreement meets the Committee's objective of achieving new and expanded trade and investment opportunities and recommends that Congress implement it.

A. Crosscutting Provisions

The Committee's opinions on anti-corruption, government procurement, investment, movement of personnel, and transparency follow:

Anti-Corruption

As with the other recently negotiated Trade Agreements, it is worth noting the Anti-Corruption Principles included in Chapter 18, Section B of the Agreement. Corruption is an issue that goes to the very heart both of the business community's ability to conduct business openly and fairly and to the ability of governments to use their resources for the benefit of all their people. We applaud the continued efforts of the U.S. Government in this area.

Government Procurement

The Government Procurement chapter includes strong commitments that will help promote a more open, transparent and fair framework for U.S. companies to participate in Panama's government procurements. Such provisions are of interest to service providers in a wide variety of sectors and are also important to promote more efficient, accountable, competitive and transparent government procurement structures in our trading partners. In particular, the Government Procurement chapter ensures national treatment, non-discriminatory treatment, transparent notice and bidding procedures, non-discriminatory technical specifications, penalties for corrupt procurements, and objective domestic review of procurement decisions. These commitments apply to procurements by identified central government agencies, sub-central government agencies, and government enterprises of Panama. These commitments apply to procurements over specified thresholds depending on the level of government and type of procurement.

Government Procurement - Panama Canal

With respect to the Panama Canal Authority, Panama has committed to non-discriminatory procurements where goods and services procurements equal or exceed $593,000 and where construction services equal or exceed $12 million for twelve years, then dropping down to

$10.3 million. Currently, the Panama Canal Authority provides access to U.S. and other foreign suppliers for many of its procurements, although such access is not required by any Agreement with the United States and certain U.S. industry sectors have not had effective access to Canal procurements since the Canal was returned to Panama in 2000.

The Committee believes that in order to ensure the highest quality and most cost-effective procurements, it is in the Panama Canal Authority's interest to expand non-discriminatory access by U.S. suppliers to Canal procurements across all sectors beyond its current practice. It is the Committee's very strong view that Panama should not, and the Agreement does not require it to, change its current practice of awarding contracts to U.S. suppliers to Canal procurements below the binding thresholds in the Agreement. Indeed, U.S. suppliers have brought enormous value and quality to the Canal through past procurements and can bring their expertise and experience to the Canal's expansion.

The Committee notes that the goods and services threshold of $593,000 is significantly higher than what is provided for Central Government procurements, although this amount has been used for some important government enterprises in other agreements and is the threshold that the United States uses for procurements involving certain government enterprises, including the Port of Baltimore and the Port Authority of New York and New Jersey. While the Committee had strongly expressed support for lower thresholds, it believes that Panama's binding commitment to provide non-discriminatory access at this threshold for goods and services will provide important new opportunities for U.S. service suppliers in some sectors, particularly those that have not had access to Canal procurements since the return of the Canal in 2000.

Beyond this, however, the architect, engineering and construction members of ITAC 10 do have some concern with the language in Annex 9.1 Section D of the Agreement. They note that the Panama Canal Authority currently undertakes its procurements under a set of rules derived from U.S. Army Corps of Engineers rules. While Annex 9.1 binds the Panama Canal Authority to many of the procedural tendering, procuring and transparency requirements of those current rules, the Government Procurement language in the Agreement could result in a significant deterioration in the position that U.S. suppliers of goods and services currently enjoy, if the Panama Canal Authority changes its current procurement practice of awarding contracts to U.S. architectural and engineering firms below the thresholds set out in the Agreement.

Thus, while there is some disappointment that the Agreement does not bind the Panama Canal Authority to allow non-discriminatory access to procurements at much lower thresholds that would guarantee access by U.S. suppliers of architecture, engineering and construction services to Panama Canal expansion projects at the same level of access currently enjoyed, we will nonetheless rely on USTR to work with the Government of Panama to encourage it to exercise its option to undertake procurements in the Canal Zone at levels below the bound thresholds in the agreement.

Investment

The Agreement will help promote a secure and predictable legal framework for U.S. investors in Panama. Such provisions are of particular interest to service providers, whose services often require a local presence.

With respect to the protection of U.S. investment, the investment chapter of the Agreement generally contains the primary protections sought by the Committee and included in the Trade Promotion Authority legislation, enacted as part of the Trade Act of 2002. These include a broad definition of "investment;" guarantees of prompt, adequate and effective compensation for expropriation; a ban on performance requirements; and commitments to provide national treatment, most-favored nation treatment, fair and equitable treatment and full protection and security. The Committee particularly welcomes the full commitments made by Panama to the free transfer of capital into and out of the country, which, unlike several other recent Agreements, such as those with Peru and Colombia, does not include any modified provisions for certain short-term capital flows.

Very importantly, the Agreement includes the investor-state dispute settlement mechanism that is vital to afford U.S. investors the opportunity to ensure that their investments are protected against arbitrary, discriminatory and unfair government actions.

In addition, the Agreement provides for investor-state dispute settlement with respect to the breach of investment agreements that a U.S. investor has entered into with the government of Panama. As provided in the Initial Provisions of the Agreement, for investment agreements that have been entered into prior to the entry-into-force of the Panama Agreement, investors would continue to have the same rights they currently have under the existing U.S.-Panama Bilateral Investment Treaty. For investment agreements entered into after the date of entry-into-force of the Panama Agreement, investors would have rights to investor-state dispute settlement for the breach of such an agreement under the U.S.-Panama Trade Promotion Agreement.

For non-investment agreement claims under the existing U.S.-Panama Bilateral Investment Treaty, investors have ten years to submit such claims, after which all such claims would need to be brought through the U.S.-Panama Trade Promotion Agreement, as the Bilateral Investment Treaty is suspended.

The Agreement also protects the legitimate exercise of each government's regulatory authority to protect "public welfare objectives, such as public health, safety, and the environment" that do not rise to the level of an expropriation. The Agreement also seeks improved transparency in investor-state mechanism as sought by the Trade Act of 2002 and provides for the consideration of a bilateral appellate mechanism after three years.

The Committee notes that unlike several other U.S. trade agreements, the Panama Agreement (similar to the Peru and Colombia Trade Promotion Agreements) includes a so-called fork-in-the-road provision with respect to cases involving investment authorization and investment agreements, such that investors are precluded from pursuing investor-to-state arbitration pursuant to the Agreement's investment chapter if they have first brought an investment agreement or investment authorization claim in a local administrative or court tribunal. The

Panama Agreement also includes very specific dispute settlement procedures for investment agreement claims involving the Panama Canal. In those cases, investors are required to first seek recourse through the Panama Canal Authority and only after a set period may then pursue investor-state dispute settlement under the Agreement. The Committee is concerned that the differing standards in recent Trade Agreements and Bilateral Investment Treaties (BITs) could too easily cause confusion for investors overseas who may inadvertently bring a domestic challenge, only to find that they have unwittingly lost access to the investor-to-state dispute settlement system. This provision also creates a great deal of complexity to arbitrations given whether the same claim is being brought would be an issue in controversy. The Committee urges that the U.S. Government work to ensure that investors in Panama and in other countries with which the United States has an FTA, TPA or a BIT are provided adequate information on this issue in order to avoid an inadvertent loss of investor-to-state rights.

The Committee remains disappointed by provisions in the Financial Services chapter, which do not provide financial services institutions with national treatment protections under the investment chapter and which could allow governmental restrictions on financial services activities through the operation of a prudential carve-out for financial services measures taken by the host government. With regard to discrimination, the Committee strongly urges that U.S. negotiators seek national treatment protections for financial services institutions. As well, the Committee notes that the procedure developed to review whether a measure properly falls within the prudential carve-out is extremely lengthy and onerous, allowing not only a government-to-government review, but also a separate dispute settlement proceedings if the two governments cannot agree that the measure taken properly fits within the prudential carve-out.

With respect to ensuring access to U.S. investment, the Agreement makes substantial progress in reducing the barriers to such investment. Overall, the Agreement assures U.S. investors greater opportunities to establish, acquire and operate investments in Panama in all sectors, except where a reservation has been taken in a particular sector area. Sector specific investment issues are discussed below.

Movement of Personnel

The agreement contains no provisions for movement of natural persons. Without them Panamanian nationals who wish to travel to the United States to provide services can only do so through the existing U.S. visa structure. As in its prior reports, ITAC 10 strongly urges the appropriate Congressional Committees to participate in the development of ways by which foreign nationals can visit the U.S. for short periods of time to provide services and return home. Movement of natural persons to provided scarce skills is an essential element of services trade and the Committee regrets that Congress has blocked this avenue of trade.

Transparency

The Agreement continues the essential U.S. drive to obtain bilateral commitments to transparency disciplines applicable to domestic regulation. These disciplines are an important achievement, because they commit our trading partners to apply transparency disciplines that

have been extensively tested and very widely applied by the U.S. federal and many state governments. The U.S. experience is that they have improved the quality of U.S. government regulation practices, which are governed by the U.S. Administrative Procedures Act. Many state governments have comparable procedures. Nowhere is transparency in domestic regulation more important than in the services sector, where government regulation is prevalent. If Panamanian government agencies will implement these commitments vigorously, we believe that both companies and consumers will find that they improve the business climate, help stimulate new investment, improve the operation of financial and other markets, and reduce corruption.

B. Sectoral Issues

The Committee's opinions on specific service sectors follow:

Accounting Services

The international accounting networks have been able to operate in Panama in a reasonably satisfactory manner under contractual and other arrangements with local firms. The TPA preserves the ability to continue these arrangements and to establish similar new ones. With regard to cross-border trade in accounting services the results of the negotiations are satisfactory. Panama will permit U.S. Certified Public Accountants (CPAs) to obtain Panamanian certification on a reciprocal basis, i.e., to the extent that the U.S. CPA's home jurisdiction permits Panamanian nationals to obtain the CPA qualification. With very few exceptions, U.S. State Boards of Accountancy permit foreign nationals to obtain certification on the same basis as U.S. applicants. In addition, the Accounting Technical Board of Panama may grant a special permit for U.S. accountants to provide non-attest accounting services in Panama under one of four possible conditions, including if the U.S. accountant is licensed in a jurisdiction that permits Panamanian accountants to practice under conditions no more burdensome than those required by Panamanian law. U.S. jurisdictions generally allow the provision of non-attest services without restriction, except that the individual may not use the CPA designation in doing so (without licensing by the State Board). Although the TPA does not require the granting of such permits, assuming good-faith implementation by Panama, this provision will allow U.S. accountants to offer non-attest services in the Panamanian market. It should be noted that market access for cross-border provision of accounting services is especially important to U.S. individual practitioners and small accounting firms.

Architectural and Engineering Services

The general provisions of the Services Chapter 11 on the development of professional standards and criteria, temporary licensing and review, provide for equity and reciprocity in this sector. Further, the lack of any restrictions or exceptions for national treatment, most-favored-nation treatment, and market access, and the fair and transparent treatment of domestic regulation provide are acceptable. We would note that there is a local presence requirement for the enterprise (not the professional), and while apparently not onerous, was not included in other recently negotiated free trade agreements, for example, Colombia.

The non-conforming measure in Annex I affecting the practice of architecture and engineering is acceptable in that practice by foreign professionals is restricted solely on the basis of a lack

of reciprocal treatment by the licensing jurisdictions of both countries. With respect to the temporary licensing of engineers, we support the establishment of the Working Group on Professional Services we would urge that, as with other recently concluded trade agreements, specific priority given to developing procedures for the temporary licensing of engineers at the first meeting of that Working Group. We would encourage the early conclusion of an agreement governing the temporary licensing of engineers and architects.

Audiovisual Services

Panama has made high-level commitments without exceptions with respect to audiovisual services (which are not expressly referenced in the TPA). Panama has declared exceptions only with respect to the transmission of radio and television programs, limiting the grant of broadcast licenses to Panamanian nationals (or 65% Panamanian owned companies), with Panamanian nationals in Board and senior management roles, and precluding the involvement of foreign governments in public broadcasting. Broadcasts of advertisements made in Panama containing announcements by unlicensed (non-Panamanian) announcers are also prohibited. These restrictions will not materially detrimentally affect U.S. audiovisual products and services.

Construction Services

With respect to construction services the general provisions of the agreement provide for reciprocity and equity and the non-conforming measures in Annex II is acceptable.

Energy Services

The proposed Panama TPA contains provisions, particularly those related to national treatment, government procurement, market access, and domestic regulation, that benefit energy services providers. The TPA's chapters on Transparency and Investment also improve or maintain the environment within which energy services providers conduct their work in Panama. Annex I reservations related to energy are both unsurprising and acceptable.

With respect to the Panama Canal Authority, we note the importance of the Canal expansion project to energy services providers. The Panama Canal's principal role in energy markets today is as a major transit center for petroleum shipments. In recent years, petroleum and petroleum products represented the second largest commodity by tonnage shipped through the Canal, surpassed only by grain. Despite this, the size of ships able to move through the Canal has become a key issue, especially for petroleum where large crude oil carriers can be nearly five times larger than the Canal's maximum capacity. Although the United States does not depend on the Canal for either crude oil or other petroleum products, the Canal's relevance to global petroleum trade is currently threatened and that threat affects some U.S. energy services providers. We therefore strongly support the Canal expansion project, but also note our disappointment that the thresholds on procurement by the Authority in the proposed TPA appear to diminish opportunities for some U.S. services firms to work on the Canal expansion project rather than enhance them.

Express Delivery Services

The U.S. express delivery industry believes the U.S.-Panama TPA includes important provisions for the sector, including an appropriate definition of express delivery services

(EDS) and a positive statement ensuring at least the same level of market access as exists at the time the Agreement takes effect. The Agreement also contains important provisions to facilitate customs clearance, which is critical to the efficient operation of express carriers.

Financial Services

The Agreement includes strong provisions providing broad access to U.S. banks and securities firms. The Committee is pleased that U.S. financial service suppliers have full rights to establish subsidiaries or branches for banks and insurance companies and that portfolio managers in the U.S. will be able to provide portfolio management services to both mutual funds and pension funds in Panama.

Healthcare Services

One the whole, we are troubled that Annex I contains a non-conforming measure that restricts the licensing of healthcare professionals, and many other professionals, to Panamanians. However, unlike other FTAs or TPAs, this measure does provide added limited relief from existing barriers. For instance, the TPA does ask Panamanian licensing authorities to recognize licenses granted in the United States, and allows health care professionals to practice on a temporary basis, in the following cases: no educational institution in Panama offers the course of study that will allow the practice in Panama; the health care professional is a recognized expert in his or her field; and if allowing the professional to practice on a temporary basis through training or demonstration will aid in the development of the profession in Panama. The loosening of the above barriers was sought by U.S. health care organizations and they appreciate the effort by USTR. Such temporary licensing provisions are helpful both on a humanitarian and commercial level, and should be included in future U.S. free trade agreements.

Insurance

The insurance component of the U.S.-Panama TPA is good. It commits Panama to MFN and national treatment provisions across the sector, including expanded application of MFN and national treatment to self-regulatory organizations (SROs), non-governmental entities that nonetheless perform a de facto regulatory role.

On market access, the TPA with Panama permits the full range of establishment rights, including joint ventures, wholly-owned subsidiaries, or branches. It also does not place any quantitative or geographic restrictions on the number of licensed insurers in the market.

For cross-border provisions, the TPA permits the standard range of services provided on a cross-border basis, including marine-aviation-transport (MAT) insurance, reinsurance, retrocession, intermediation, and services auxiliary to insurance. While Panama permits cross-border provision of intermediation services (agency and brokerage), they are only permitted with respect to cross-border provision of MAT and reinsurance, which falls short of the goal of being able to provide intermediation services to established life and non-life insurers in the market. Furthermore, the aviation component of MAT applies only after two years of entry into force of the agreement.

The Panama TPA also allows for cross-border provision of portfolio management services, under conditions comparable with provisions in other U.S. FTAs, to investment companies properly registered with Panama's National Securities Commission.

The Panama TPA contains very strong provisions on transparency, including a prior notice-and-comment period for all new laws and regulations – including those published by SROs.

In the TPA, Panama has maintained its "prior approval" system for insurance products, meaning that all companies must seek regulatory approval before introducing new products in the market. Under this structure, Panama – in the TPA – has agreed to either accept or reject each product filing for new financial products within 30 days and has agreed not to limit the number or frequency of new product introductions.

Finally, the Panama TPA creates a Financial Services Committee designed to address issues that may arise in implementation of the TPA's financial services chapter. The Financial Services Committee allows both governments to review future developments in the insurance sector on an ongoing basis, taking into account changes in the marketplace and in competitive conditions affecting the sector.

Legal Services

Chapter 11 of the proposed TPA addresses Cross-Border Trade in Services. Pursuant to this Chapter, services are provided on a national treatment and MFN basis.

In its Annex I, which lists non-conforming measures for services and investment, the United States specifically notes all existing non-conforming measures of all states of the United States, the District of Columbia, and Puerto Rico. U.S. Annex I at 13. This exclusion, which has been included in all FTAs since the NAFTA, covers all professional services, including legal services. As a result, all existing state requirements covering the legal profession, such as laws and regulations covering bar admission, are unaffected by the TPA.

In its Annex I, the United States also preserves its existing requirements that only U.S. citizens and residents may serve as patent attorneys, patent agents or otherwise practice before the U.S. Patent and Trademark Office. U.S. Annex I at 12.

In its Annex I, Panama states that only a Panamanian national who holds a certificate of qualification issued by the Supreme Court may practice law in Panama. In this Annex, Panama also defines the practice of law, and further states that law partnerships may be established only by lawyers competent to practice law in Panama. However, Panama permits lawyers who are foreign nationals to provide advice with regard to international law and the law of their own jurisdiction. Panama also permits U.S. nationals to provide cross-border supply of these restricted services. Panama Annex I at 25. These provisions mirror the "foreign legal consultant" provisions of prior U.S. FTAs.

Finally, Annex 11.9 to the Services Chapter addresses Professional Services. This Annex provides that each of the U.S. and Panama shall encourage the "relevant bodies in its respective territory to develop mutually acceptable standards and criteria for licensing and

certification of professional service suppliers...." Those standards and criteria include education, examination, experience, conduct and ethics, professional development and re-certification, scope of practice, local knowledge and consumer protection. Recommendations on mutual recognition will be submitted to the Commission, which will determine whether the recommendations are consistent with the TPA. If they are consistent, then each Party will encourage its authorities to implement the recommendation within a mutually agreed time.

In conclusion, the TPA presents limited opportunity for U.S. attorneys to provide legal advice in Panama, but only with regard to the law of their own jurisdictions and international law.

Retail Services

U.S. retail services will also have important new market access in Panama. Panama's Constitution restricts many retail services to Panamanian or enterprises owned by Panamanians. Panama has clarified as part of the Agreement and in a connected side letter that these nationality restrictions are not applicable to establishments that (1) sell products only of their own brand, (2) engage primarily in the sale of services or (3) are "multiple service businesses," which are defined to include businesses that invest more than $3 million in Panama and engage in the sale of goods and services in a single establishment, including through membership programs. These clarifications provide substantial new access to U.S. retail services that will help promote greater distribution of U.S. goods and U.S. services in Panama.

Transportation Services

The U.S.-Panama Trade Promotion Agreement does not include provisions that will allow the United States or Panama to engage in the other nation's maritime transportation services. Indeed, both countries have made an explicit reservation of their maritime transportation services to the TPA.

Importantly, both nations made specific reservations of their cabotage trades to the vessels and nationals of their respective countries. For the United States, this is consistent with the longstanding position of the U.S. Trade Representative.

VI. Membership of Committee (list of members)

Industry Trade Advisory Committee On Services and Finance Industries - ITAC 10

Chairman	President
Mr. J. Robert Vastine, Jr.	U.S. Coalition of Service Industries

Vice-Chairman
Ms. Elizabeth R. Benson
President
Energy Associates

Mr. Thomas A. Allegretti
President and Chief Executive Officer
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Mr. Fredric S. Berger, P.E.
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Vice President
Emergency Committee for American Trade

Mr. John (Tim) M. Fisher, III
Vice President, International
Government Relations
Metropolitan Life Insurance Company

Mr. Gregory M. Frazier
Senior Vice President,
International Trade Policy
Motion Picture Association of America,
Inc.

Madeleine F. Green, Ph.D.
Vice President and Director,
Center for International and Institutional
Initiatives
American Council on Education

Ms. Leslie C. Griffin
Vice President, International
Governmental Affairs
New York Life International, LLC

Mr. Charles P. Heeter Jr.
Principal, International Government Affairs
Deloitte and Touche USA LLP

Ms. Selina E. Jackson
Vice President, International Public Affairs
UPS

Mr. William A. Jordan
Senior Director, Government Affairs and
Communications
The McGraw-Hill Companies

Mr. Leonard N. Karp
Executive Vice President
and Chief Operating Officer
Philadelphia International Medicine

John (Jay) C. Kern, Esq.
Managing Director
Reynolds, DeWitt & Co.

Dr. Marjorie Peace Lenn
President, Center for Quality Assurance in
International Education
National Committee for International Trade
In Education
National Center for Higher Education

J. Granville Martin, Esq.
Vice President, Director
of Government Policy
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Mr. Shawn C. McBurneyVice President,
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Senior Vice President
The Real Estate Roundtable

Mr. Philip M. Vaughn
Senior Director, Government Relations
Fluor Corporation

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