

[COURTESY TRANSLATION]

June 28, 2007

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

Dear Ambassador Schwab:

I have the honor to confirm the following understanding reached between the delegations of Panama and the United States in the course of negotiations regarding Chapter Twenty-One (Exceptions) of the United States – Panama Trade Promotion Agreement between our two Governments signed this day (the “Agreement”):

For greater certainty, the Parties do not intend Article 21.3 (Taxation) of the Agreement to affect their existing rights and obligations with respect to each other under the Agreement Establishing the World Trade Organization.

I have the honor to propose that this letter and your letter of confirmation in reply shall constitute an agreement between our two Governments, to enter into force on the date the Agreement enters into force.

Sincerely,

Alejandro Ferrer

June 28, 2007

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

Dear Minister Ferrer:

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

“I have the honor to confirm the following understanding reached between the delegations of Panama and the United States in the course of negotiations regarding Chapter Twenty-One (Exceptions) of the United States – Panama Trade Promotion Agreement between our two Governments signed this day (the “Agreement”):

For greater certainty, the Parties do not intend Article 21.3 (Taxation) of the Agreement to affect their existing rights and obligations with respect to each other under the Agreement Establishing the World Trade Organization.

I have the honor to propose that this letter and your letter of confirmation in reply shall constitute an agreement between our two Governments, to enter into force on the date the Agreement enters into force.”

I have the honor to confirm that my government shares this understanding, and that your letter and this letter in reply shall constitute an agreement between our two Governments, to enter into force on the date the Agreement enters into force.

Sincerely,

Susan C. Schwab