

Draft as of March 22, 2007
Subject to legal review for accuracy, clarity, and consistency.

GENERAL NOTES
SCHEDULE OF THE REPUBLIC OF PANAMA TO ANNEX 3.3

1. Relation to the Tariff Schedule of the Republic of Panama (*Arancel de Importación de la República de Panamá*). The provisions of this Schedule are generally expressed in terms of the *Arancel de Importación de la República de Panamá*, and the interpretation of the provisions of this Schedule, including the product coverage of tariff items of this Schedule, shall be governed by the General Notes, Section Notes, and Chapter Notes of the *Arancel de Importación de la República de Panamá*. To the extent that provisions of this Schedule are identical to the corresponding provisions of the *Arancel de Importación de la República de Panamá*, the provisions of this Schedule shall have the same meaning as the corresponding provisions of the *Arancel de Importación de la República de Panamá*.
2. Base Rates of Customs Duty.
 - (a) For agricultural goods as defined in Article 3.XX (Definitions), the applicable base rates of duty are the lower of the rates set out in this Schedule or the most-favored-nation applied rates of duty in effect on the day immediately preceding the date of entry into force of the Agreement.
 - (b) For all other goods, the base rates of duty set forth in this Schedule reflect the most-favored-nation applied rates of duty under the *Arancel de Importación de la República de Panamá* in effect on January 1, 2004.
3. Staging. In addition to the staging categories listed in Annex 3.3, paragraph 1, this Schedule contains staging categories **M, N, O, P, Q, R, S, T, U, V, W, and X**:
 - (a) Duties on originating goods provided for in the items in staging category M shall be removed in eight equal annual stages beginning on the date this Agreement enters into force, and such goods shall be duty-free, effective January 1 of year eight.
 - (b) Duties on originating goods provided for in the items in staging category N shall be removed in the following manner: duties shall be reduced by three percent on the date this Agreement enters into force, and by an additional three percent on January 1 of year two. Duties shall be reduced by an additional five percent of the base rate on January 1 of year three, and by an additional five percent of the base rate each year thereafter through year six. Duties shall be reduced by an additional 18 percent of the base rate on January 1 of year seven, and by an additional 18 percent of the base rate in year eight. Duties shall be reduced by an additional 19 percent on January 1 of year nine, and such goods shall be duty-free, effective January 1 of year ten.

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- (c) Duties on originating goods provided for in the items in staging category O shall remain at base rates during years one and two. Beginning on January 1 of year three, duties shall be reduced in eight equal annual stages, and such goods shall be duty-free, effective January 1 of year ten.
- (d) Duties on originating goods provided for in the items in staging category P shall be removed in 11 equal annual stages beginning on the date this Agreement enters into force, and such goods shall be duty-free, effective January 1 of year 11.
- (e) Duties on originating goods provided for in the items in staging category Q shall be removed in 12 equal annual stages beginning on the date this Agreement enters into force, and such goods shall be duty-free, effective January 1 of year 12.
- (f) Duties on originating goods provided for in the items in staging category R shall remain at base rates during years one through four. Beginning on January 1 of year five, duties shall be reduced in eight equal annual stages, and such goods shall be duty-free, effective January 1 of year 12.
- (g) Duties on originating goods provided for in the items in staging category S shall remain at base rates during years one through six. Beginning on January 1 of year seven, duties shall be reduced in nine equal annual stages, and such goods shall be duty-free, effective January 1 of year 15.
- (h) Duties on originating goods provided for in the items in staging category T shall remain at base rates during years one through ten. Beginning on January 1 of year 11, duties shall be reduced in five equal annual stages, and such goods shall be duty-free, effective January 1 of year 15.
- (i) Duties on originating goods provided for in the items in staging category U shall remain at base rates during years one through eight. Beginning on January 1 of year nine, duties shall be reduced in eight equal annual stages, and such goods shall be duty-free, effective January 1 of year 16.
- (j) Duties on originating goods provided for in the items in staging category V shall remain at base rates during years one through nine. Beginning on January 1 of year ten, duties shall be reduced in seven equal annual stages, and such goods shall be duty-free, effective January 1 of year 16.
- (k) Duties on originating goods provided for in the items in staging category W shall remain at base rates during years one through ten. Beginning on January 1 of year 11, duties shall be reduced in eight equal annual stages, and such goods shall be duty-free, effective January 1 of year 18.

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- (1) Duties on originating goods provided for in the items in staging category X shall remain at base rates during years one through ten. Beginning on January 1 of year 11, duties shall be reduced in ten equal annual stages, and such goods shall be duty-free, effective January 1 of year 20.