

CHAPTER TWO

NATIONAL TREATMENT AND MARKET ACCESS FOR GOODS

Article 2.01: Definitions

For purposes of this Chapter:

advertising films and recordings means recorded visual media or audio materials, consisting essentially of images or sound, showing the nature or operation of a good or service offered for sale or lease by a person established or resident in the territory of a Party, provided that those materials are of a kind suitable for exhibition to a prospective customer but not for broadcast to the general public, and provided that they are imported in a packet that contains no more than one copy of each film or recording and that does not form part of a larger consignment;

agricultural good means a product listed in Annex 1 of the *WTO Agreement on Agriculture*;

commercial sample means:

- (a) a good that is:
 - (i) representative of a particular category of good produced outside the territory of a Party, and
 - (ii) imported only for the purpose of being exhibited or demonstrated to solicit orders for a similar good to be supplied from outside the territory of a Party; or

- (b) a film, chart, projector, scale model or similar item, imported only for the purpose of illustrating a particular category of good produced outside the territory of a Party to solicit orders for a similar good to be supplied from outside the territory of a Party;

commercial sample of negligible value means a commercial sample having a value, individually or in the aggregate as shipped, of not more than 1 USD, or the equivalent amount in the currency of either of the Parties, or so marked, torn, perforated or otherwise treated that it is unsuitable for sale or for use except as a commercial sample;

consumed means:

- (a) actually consumed; or
- (b) further processed or manufactured so as to result in a substantial change in value, form or use of the good or in the production of another good;

duty-free means free of customs duties;

good imported for sports purposes means a good required for use in sports contests, demonstrations or training in the territory of the Party into whose territory the good is imported;

good intended for display or demonstration includes the good's component parts, ancillary apparatus and accessories;

printed advertising material means a good classified in Chapter 49 of the Harmonized System, including a brochure, pamphlet, leaflet, trade catalogue, yearbook published by a trade association, tourist promotional material or poster, that is:

- (a) used to promote, publicize or advertise a good or service;
- (b) essentially intended to advertise a good or service; and
- (c) supplied free of charge;

SCM Agreement means the *WTO Agreement on Subsidies and Countervailing Measures*; and

TRQ means a tariff-rate quota described in Article 2.16.

Article 2.02: Scope of Application

This Chapter applies to trade in goods of a Party, except as otherwise provided in this Agreement.

Section I – National Treatment

Article 2.03: National Treatment

1. Each Party shall accord national treatment to the goods of the other Party in accordance with Article III of the GATT 1994, and to this end Article III of the GATT 1994 is incorporated into and made part of this Agreement.
2. The treatment to be accorded by a Party under paragraph 1 means, with respect to a sub-national government, treatment no less favourable than the most favourable treatment accorded by that sub-national government to a like, directly competitive or substitutable good, as the case may be, of the Party of which it forms a part.
3. Paragraphs 1 and 2 do not apply to a measure set out in Annex 2.03 (Exceptions to Articles 2.03 and 2.08).

Section II – Tariffs

Article 2.04: Tariff Elimination

1. Except as otherwise provided in this Agreement, neither Party may increase any existing customs duty, or adopt any customs duty, on an originating good.
2. Except as otherwise provided in this Agreement, each Party shall progressively eliminate its customs duties on originating goods in accordance with its Schedule to Annex 2.04.
3. During the tariff elimination process, each Party shall apply to originating goods traded between the Parties the lesser of the customs duties resulting from a comparison between the rate established in the Party's Schedule to Annex 2.04 and the existing rate under Article II of GATT 1994.
4. On the request of a Party, the Parties shall discuss accelerating the elimination of customs duties set out in their Schedules to Annex 2.04 or incorporating into a Schedule a good that is not subject to elimination. An agreement between the Parties to accelerate the elimination of a customs duty on a good or to include a good in a Schedule to Annex 2.04 shall supersede a rate of duty or staging category determined pursuant to a Schedule for such good when approved by each Party in accordance with its applicable legal procedures.
5. The Parties acknowledge Panama's rights and obligations under Article 27.4 of the SCM Agreement and note the Decision of the General Council, WTO document WT/L/691 of July 31, 2007. However, if Panama enters or has entered into an agreement with a non-Party, in which it undertakes to eliminate a program permitted under Article 27.4 of the SCM Agreement as it applies to a good manufactured in its territory and exported to the non-Party, it shall also eliminate the program as it applies to a good manufactured in its territory and exported to Canada.

6. For greater certainty, a Party may:
 - (a) modify a tariff outside this Agreement on a good for which no tariff preference is claimed under this Agreement;
 - (b) raise a customs duty to the level established in its Schedule to Annex 2.04 following a unilateral reduction; or
 - (c) maintain or increase a customs duty as authorized by the Dispute Settlement Body of the WTO Agreement or an Agreement under the WTO Agreement.

Article 2.05: Temporary Admission of Goods

1. Each Party shall grant duty-free temporary admission for the following goods, regardless of their origin and regardless of whether like, directly competitive or substitutable goods are available in the territory of the Party:

- (a) professional equipment necessary for carrying out the business activity, trade or profession of a person qualifying for temporary entry pursuant to Chapter Thirteen (Temporary Entry for Business Persons);
- (b) equipment for the press or for sound or television broadcasting and cinematographic equipment;
- (c) good admitted for sports purposes and good intended for display or demonstration; and
- (d) commercial sample and advertising films and recordings.

2. A Party may not impose a condition on the duty-free temporary admission of a good referred to in paragraph 1(a), (b) or (c), other than to require that the good:

- (a) be imported by a national or resident of the other Party seeking temporary entry;

- (b) be used only by or under the personal supervision of that person in the exercise of the business activity, trade, profession or sport of that person;
- (c) not be sold or leased while in its territory;
- (d) be accompanied by a security in an amount no greater than the charges that would otherwise be owed on entry or final importation, releasable on exportation of the good;
- (e) be capable of identification when exported;
- (f) be exported on the departure of that person or within such other period as is reasonably related to the purpose of the temporary admission; or
- (g) be admitted in no greater quantity than is reasonable for its intended use.

3. A Party may not impose a condition on the the duty-free temporary admission of a good referred to in paragraph 1(d), other than to require that the good:

- (a) be imported solely for soliciting orders for:
 - (i) a good of the other Party or a non-Party, or
 - (ii) a service provided from the territory of the other Party or a non-Party;
- (b) not be sold, leased or used for anything other than exhibition or demonstration while in its territory;
- (c) be capable of identification when exported;
- (d) be exported within a period that is reasonably related to the purpose of the temporary import;

- (e) be imported in no greater quantity than is reasonable for its intended use;
or
- (f) be accompanied by a security in an amount no greater than the charges that would otherwise be owed on entry or final importation, releasable on exportation of the good.

4. Where a good is temporarily admitted duty-free under paragraph 1 and a condition a Party imposes under paragraphs 2 or 3 has not been fulfilled, the Party may impose:

- (a) the customs duty and any other charge that would be owed on entry or final importation of the good; and
- (b) any applicable criminal, civil or administrative penalties that the circumstances may warrant.

5. Except as otherwise provided in this Agreement, a Party may not:

- (a) prevent a vehicle or container used in international traffic that enters its territory from the territory of the other Party from departing its territory on a route that is reasonably related to the economic and prompt departure of that vehicle or container;
- (b) require a security or impose a penalty or charge solely by reason of a difference between the port of entry and the port of departure of a vehicle or container;
- (c) impose a condition on the release of an obligation, including a security, that it imposes in respect of the entry of a vehicle or container into its territory on exiting through a particular port of departure; or
- (d) require that the vehicle or carrier bringing a container from the territory of the other Party into its territory be the same vehicle or carrier taking such container to the territory of the other Party.

6. For purposes of paragraph 5, “vehicle” means truck, truck tractor, tractor, trailer unit or trailer, locomotive, or railway car or other railroad equipment.

Article 2.06: Duty-Free Entry of Certain Commercial Samples and Printed Advertising Material

1. A Party shall grant duty-free entry to a commercial sample of negligible value, and to printed advertising material, imported from the territory of the other Party, regardless of their origin, but may require that:

- (a) the sample be imported solely for the solicitation of orders for:
 - (i) a good of the other Party or a non-Party, or
 - (ii) a service provided from the territory of the other Party or a non-Party; or
- (b) the advertising material be imported in a packet containing no more than one copy of the material and that neither the materials nor the packet form part of a larger consignment.

Article 2.07: Good Re-Entered after Repair or Alteration

1. A Party may not apply a customs duty to a good, regardless of its origin, that re-enters its territory after that good has been temporarily exported from its territory to the territory of the other Party for repair or alteration, regardless of whether such repair or alteration could be performed in its territory.

2. A Party may not apply a customs duty to a good, regardless of its origin, imported temporarily from the territory of the other Party for repair or alteration.

3. For purposes of this Article, repair or alteration does not include an operation or process that:

- (a) destroys the essential characteristics of a good or creates a new or commercially different good; or
- (b) transforms an unfinished good into a finished good.

4. Paragraph 1 does not cover a good imported in bond, into foreign trade zones, or in similar status, that is exported for repair and not re-imported in bond, into foreign trade zones, or in similar status.

Section III – Non-Tariff Measures

Article 2.08: Import and Export Restrictions

1. Except as otherwise provided in this Agreement, a Party may not adopt or maintain a prohibition or restriction on the importation of a good of the other Party or on the exportation or sale for export of a good destined for the territory of the other Party, except in accordance with Article XI of the GATT 1994, and to this end Article XI of the GATT 1994 is incorporated into and made a part of this Agreement.

2. The Parties understand that the GATT 1994 rights and obligations incorporated by paragraph 1 prohibit:

- (a) an export price requirement in a circumstance in which another form of restriction is prohibited; and,
- (b) an import price requirement, except as permitted in enforcement of countervailing and antidumping orders and undertakings.

3. In the event that a Party adopts or maintains a prohibition or restriction on the importation from or exportation to a non-Party of a good, this Agreement does not prevent the Party from:

- (a) limiting or prohibiting the importation from the territory of the other Party a good of that non-Party; or
- (b) requiring as a condition of export of a good of the Party to the territory of the other Party that the good not be re-exported to the non-Party, directly or indirectly, without being consumed in the territory of the other Party.

4. In the event that a Party adopts or maintains a prohibition or restriction on the importation of a good from a non-Party, the Parties, on request of the other Party, shall discuss with a view to avoiding undue interference with or distortion of pricing, marketing and distribution arrangements in the other Party.

5. Paragraphs 1 through 4 do not apply to a measure set out in Annex 2.03.

Article 2.09: Distilled Spirits

A Party may not adopt or maintain a measure requiring that distilled spirits imported from the territory of the other Party for bottling be blended with distilled spirits of the Party.

Article 2.10: Export Taxes

A Party may not adopt or maintain a duty, tax or other charge on the export of a good to the territory of the other Party unless the duty, tax or charge is adopted or maintained on the good when destined for domestic consumption.

Article 2.11: Customs User Fees and Similar Charges

1. No Party may adopt or maintain a fee or charge on or in connection with importation of a good of the other Party that is not commensurate with the cost of services rendered.
2. Paragraph 1 does not prevent a Party from imposing a customs duty or a charge set out in paragraphs (a), (b), or (d) of the definition of “customs duty”.
3. The Parties affirm that nothing in this Article modifies Article VIII of GATT 1994 as it applies between them.

Article 2.12: Customs Valuation

The Customs Valuation Agreement governs the customs valuation rules applied by the Parties to their reciprocal trade.

Section IV – Agriculture

Article 2.13: Agricultural Export Subsidies

1. The Parties share the objective of the multilateral elimination of agricultural export subsidies and shall work together toward an agreement in the WTO to eliminate those subsidies and avoid their reintroduction in any form.
2. A Party shall not adopt or maintain agricultural export subsidies on an agricultural good originating in or shipped from its territory that is exported directly or indirectly to the territory of the other Party.

3. If a Party adopts or maintains an export subsidy on an agricultural good that is exported to the other Party, the Party applying the measure, at the request of the other Party, shall discuss with a view to agreeing on specific measures that either Party may adopt to counter the effects of the export subsidy, including an increase of the rate of duty on such imports up to the applied Most-Favoured-Nation (MFN) tariff rate.

Article 2.14: Domestic Support Measures for Agricultural Products

1. The Parties agree to cooperate in the WTO agricultural negotiations in order to achieve a substantial reduction of production and trade-distorting domestic support measures.

2. If a Party adopts or maintains a domestic support measure that the other Party considers to distort bilateral trade covered by this Agreement, the Party applying the measure, at the request of the other Party, shall consult with a view to avoiding the nullification and impairment of the concessions granted under this Agreement. Those consultations shall be deemed to satisfy the requirement of Article 22.05 (Dispute Settlement – Consultations).

Article 2.15: State Trading Enterprises

1. Except as provided in Article 14.04 (Competition Policy, Monopolies And State Enterprises – State Enterprises), the rights and obligations of the Parties with respect to state trading enterprises shall be governed by Article XVII of the GATT 1994 and the *Understanding on the Interpretation of Article XVII of the GATT 1994*, which are incorporated into and made part of this Agreement.

2. The Parties agree to cooperate in the WTO negotiations to ensure transparency regarding the operation and maintenance of state trading enterprises.

Article 2.16: Tariff-Rate Quotas – Pork and Beef

1. Notwithstanding the staging categories in Panama's Schedule to Annex 2.04, on originating goods for the items listed below in paragraph 2, upon entry into force of this Agreement, Panama shall provide immediate duty-free access on 200MT subject to a 2% increase per year.

2. Paragraph 1 applies to the following pork tariff lines in the *Arancel de Importación de la República de Panamá*: 0203.11.10, 0203.11.20, 0203.12.10, 0203.12.90, 0203.19.10, 0203.19.20, 0203.19.90, 0203.21.10, 0203.21.20, 0210.11.11, 0210.11.19, 0210.11.90, 0210.19.10, 0210.19.21, 0210.19.29, 1602.49.13, 1602.49.14, 1602.49.19 and 1602.49.90.

3. Notwithstanding the staging categories in Panama's Schedule to Annex 2.04, on originating goods for the items listed below in paragraph 4, upon entry into force of this Agreement, Panama shall provide immediate duty-free access on 450MT of WTO in-quota quantities.

4. Paragraph 3 applies to the following pork tariff lines in the *Arancel de Importación de la República de Panamá*: 0203.11.10, 0203.11.20, 0203.12.10, 0203.12.90, 0203.19.10, 0203.19.20, 0203.19.90, 0203.21.10, 0203.21.20, 0203.22.10, 0203.22.90, 0203.29.10, 0203.29.20, 0203.29.90, 0210.11.11, 0210.11.19, 0210.11.90, 0210.19.10, 0210.19.21, 0210.19.29, 0210.19.90, 1602.41.11, 1602.41.19, 1602.42.10, 1602.42.90, 1602.49.13 and 1602.49.19.

5. Notwithstanding the staging categories in Panama's Schedule to Annex 2.04 on originating goods for the items listed below in paragraph 6, upon entry into force of this Agreement, Panama shall provide immediate duty-free access on 200 MT.

6. Paragraph 5 applies to the following beef tariff lines in the *Arancel de Importación de la República de Panamá*: 0201.20.00a, 0201.30.00a, 0202.20.00a and 0202.30.00a.

Article 2.17: Administration and Implementation of Tariff-Rate Quotas

1. Panama shall implement and administer its TRQs in accordance with Article XIII of the GATT 1994, and the *WTO Agreement on Import Licensing Procedures*.
2. Panama shall ensure that:
 - (a) its procedures for administering its TRQs are transparent, made available to the public, timely, non-discriminatory, responsive to market conditions and minimally burdensome to trade;
 - (b) subject to subparagraph (c), a person of a Party that fulfills Panama's legal and administrative requirements for TRQs shall be eligible to apply and to be considered for an import license or an in-quota quantity allocation under Panama's TRQs;
 - (c) it does not, under its TRQs:
 - (i) allocate a portion of an in-quota quantity to a producer or a producer's group,
 - (ii) condition access to an in-quota quantity on purchase of domestic production, or
 - (iii) limit access to an in-quota quantity only to processors or to distributors;
 - (d) only its national government administers its TRQs and that this administration is not delegated to another person, except that activities related to the bidding process associated with Panama's TRQs may be carried out by a private entity, other than a producer group, under the supervision of its national government; and

- (e) it allocates in-quota quantities under its TRQs in commercially viable shipping quantities and, to the maximum extent possible, in the amounts that importers request.
3. Panama shall make every effort to administer its TRQs in a manner that allows importers to fully utilize them.
 4. Panama may not impose a condition on the application for or use of an in-quota quantity allocation under a TRQ on the re-export of an agricultural good.
 5. Panama may not count food aid or other non-commercial shipments in determining whether an in-quota quantity under a TRQ has been filled.
 6. Panama shall discuss with Canada, at Canada's request, Panama's administration of TRQs.

Article 2.18: Agricultural Safeguard Measures for Frozen Pork

1. Notwithstanding Article 2.04, Panama may adopt an agricultural safeguard measure in the form of an additional customs duty on an originating agricultural good listed in Annex 2.18, following the entry into force of the TPA, provided the conditions of this Article are fulfilled.
2. The total customs duties applied on a good, including the additional customs duty referred to in paragraph 1, shall not exceed the lesser of the amounts resulting from the application of:
 - (a) the applied MFN rate of duty at the time the measure is adopted; or
 - (b) the base rate set out in Panama's Schedule to Annex 2.04.

3. The additional customs duty referred to in paragraph 1 shall not exceed:
- (a) for frozen pork hams and shoulders as listed in Annex 2.18:
 - (i) up to December 31st of the 13th year following the entry into force of the later of the TPA or this Agreement, 100% of the difference between the maximum amount permitted under paragraph 2 and the amount resulting from the applicable rate of duty in Panama's Schedule to Annex 2.04,
 - (ii) from January 1st of the 14th year following the entry into force of the later of the TPA or this Agreement through December 31 of the 15th year following its entry into force, 75% of the difference between the maximum amount permitted under paragraph 2 and the amount resulting from the applicable rate of duty in Panama's Schedule to Annex 2.04, and
 - (iii) for the period from January 1st of the 16th year following the entry into force of the later of the TPA or this Agreement to December 31st of the 18th year following its entry into force, 50% of the difference between the maximum amount permitted under paragraph 2 and the amount resulting from the applicable rate of duty in Panama's Schedule to Annex 2.04; and
 - (b) for frozen pork other than hams and shoulders as listed in Annex 2.18:
 - (i) up to December 31st of the 8th year following the entry into force of the later of the TPA or this Agreement, 100% of the difference between the maximum amount permitted under paragraph 2 and the applicable amount resulting from the rate of duty in Panama's Schedule to Annex 2.04,

- (ii) from January 1st of the 9th year following the entry into force of the later of the TPA or this Agreement through December 31st of the 13th year following its entry into force, 75% of the difference between the maximum amount permitted under paragraph 2 and the amount resulting from the applicable rate of duty in Panama's Schedule to Annex 2.04, and
- (iii) for the period from January 1st of the 14th year following the entry into force of the later of the TPA or this Agreement to December 31st of the 15th year following its entry into force, 50% of the difference between the maximum amount permitted under paragraph 2 and the amount resulting from the applicable rate of duty, in Panama's Schedule to Annex 2.04.

4. Panama may not adopt or maintain an agricultural safeguard measure on an originating good:

- (a) after the expiration of the tariff elimination period set out in Panama's Schedule to Annex 2.04; or
- (b) that increases the duty on an in-quota good subject to a TRQ.

5. Panama may adopt or maintain an agricultural safeguard measure during a calendar year on an originating agricultural good only where the quantity of imports of the good during that year exceeds the trigger volume for that good, set out in Annex 2.18.

6. Panama may not adopt or maintain an agricultural safeguard measure under this Article and at the same time adopt or maintain with respect to the same good:

- (a) an emergency action pursuant to Chapter Eight (Emergency Action); or
- (b) a measure pursuant to Article XIX of the GATT 1994 and the WTO *Agreement on Safeguards*.

7. Panama shall adopt an agricultural safeguard measure in a transparent manner. To this end, Panama shall notify Canada in writing and provide relevant information regarding the measure within 60 days of its adoption. Panama shall discuss with Canada on Canada's request regarding the adoption of the agricultural safeguard measure.

8. Panama may maintain an agricultural safeguard measure only until the end of the calendar year in which it applies the measure.

9. A Party may not adopt on an originating agriculture good that is subject to tariff elimination under Annex 2.04 a safeguard duty pursuant to Article 5 of the WTO *Agreement on Agriculture*.

10. For purposes of this Article and Annex 2.18, "agricultural safeguard measure" means a measure described in paragraph 1.

Section V – Consultations

Article 2.19: Consultations and Committee on Trade in Goods and Rules of Origin

1. The Parties hereby establish a Committee on Trade in Goods and Rules of Origin, comprising representatives of each Party.

2. The Committee shall meet periodically, and at any other time on the request of either Party or the Commission, to ensure the effective implementation and administration of this Chapter, Chapter Three (Rules of Origin), Chapter Four (Customs Procedures), Chapter Five (Trade Facilitation), Chapter Eight (Emergency Action) or any Uniform Regulations. In this regard, the Committee shall:

- (a) monitor the implementation and administration by the Parties of this Chapter, Chapter Three (Rules of Origin), Chapter Four (Customs Procedures), Chapter Five (Trade Facilitation), Chapter Eight (Emergency Action) or any Uniform Regulations to ensure their uniform interpretation;

- (b) review, at the request of either party, a proposed modification of or addition to this Chapter, Chapter Three(Rules of Origin), Chapter Four(Customs Procedures), Chapter Five (Trade Facilitation), Chapter Eight (Emergency Action) or any Uniform Regulations;
- (c) review, in a timely manner, amendments to the Harmonized System with a view to reflecting these amendments in Annex 3.02 (Product-Specific Rules of Origin);
- (d) recommend to the Commission a modification of or addition to this Chapter, Chapter Three (Rules of Origin), Chapter Four (Customs Procedures), Chapter Five (Trade Facilitation), Chapter Eight (Emergency Action), any Uniform Regulations or any other provision of this Agreement as may be required to conform with a change to the Harmonized System;
- (e) consider a tariff or non-tariff issue raised by either Party; or
- (f) consider any other matter relating to the implementation and administration by the Parties of this Chapter, Chapter Three (Rules of Origin), Chapter Four (Customs Procedures), Chapter Five (Trade Facilitation), Chapter Eight (Emergency Action) or any Uniform Regulations referred to it by:
 - (i) a Party,
 - (ii) the Customs Procedures Sub-Committee established under Article 4.14 (Customs Procedures - Customs Procedures Sub-Committee), or
 - (iii) the Sub-Committee on Agriculture established under paragraph 4.

3. If the Committee fails to resolve a matter referred to it pursuant to paragraph 2(b) or (d) within 30 days of such referral, either Party may request a meeting of the Joint Commission under Article 21.01 (Administration of the Agreement – Joint Commission).

4. At the request of a Party, the Committee will establish a Sub-Committee on Agriculture that shall:

- (a) meet within 90 days of a request by a Party;
- (b) provide a forum for the Parties to discuss issues resulting from the implementation of this Agreement for agricultural goods;
- (c) refer to the Committee a matter under subparagraph (b) on which it has been unable to reach an understanding; and
- (d) report to the Committee for its consideration an understanding reached under this paragraph.

5. Each Party, to the maximum extent possible, shall take necessary measures to implement a revision to this Chapter, Chapter Three (Rules of Origin), Chapter Four (Customs Procedures), Chapter Five (Trade Facilitation) or Chapter Eight (Emergency Action) within 180 days of the date on which the Commission approves a revision.

6. The Parties shall convene on the request of either Party a meeting of their officials responsible for customs, immigration, inspection of food and agricultural products, border inspection facilities, or regulation of transportation as appropriate for the purpose of addressing issues related to movement of goods through the Parties' ports of entry.

Annex 2.03

Exceptions to Articles 2.03 and 2.08

Section I – Canadian Measures

Without prejudice to the rights of Panama under the WTO Agreement, Articles 2.03 and 2.08 do not apply to:

- (a) a measure, including that measure's continuation, prompt renewal or amendment, in respect of the following:
 - (i) the export of logs of all species,
 - (ii) the export of unprocessed fish pursuant to applicable provincial legislation,
 - (iii) the importation of goods of the prohibited provisions of tariff lines 9897.00.00, 9898.00.00 and 9899.00.00 referred to in the Schedule of the *Customs Tariff*,
 - (iv) Canadian excise duties on absolute alcohol used in manufacturing under the existing provisions of the *Excise Act*, 2001, 2002, c.22, as amended,
 - (v) the use of ships in the coasting trade of Canada, or
 - (vi) the internal sale and distribution of wine and distilled spirits; and
- (b) an action authorized by the Dispute Settlement Body of the WTO in a dispute between the Parties under the WTO Agreement.

Section II – Panamanian Measures

Without prejudice to the rights of Canada under the WTO Agreement, Articles 2.03 and 2.08 do not apply to:

- (a) a measure regulating the importation of officially circulated lottery tickets, pursuant to Cabinet Decree No. 19 of June 30, 2004;
- (b) import controls on used vehicles, pursuant to Law No. 36 of May 17, 1996;
- (c) a measure regulating the importation of used motor vehicles, pursuant to Law No. 45 of October 31, 2007;
- (d) import controls on video and other games classified under item 95.04 that award cash prizes, pursuant to Law No. 2 of February 10, 1998;
- (e) a measure relating to the export of wood from national forests, pursuant to Executive Order No. 83 of July 10, 2008; and
- (f) an action authorized by the Dispute Settlement Body of the WTO in a dispute between the Parties under the WTO Agreement.

Annex 2.04

Tariff Elimination

1. The following staging categories apply to the elimination of customs duties by each Party pursuant to Article 2.04:
 - (a) duties on originating goods shall be eliminated entirely and such goods shall be duty-free on the date this Agreement enters into force:
 - (i) for Panama, for goods provided for in the items in staging category **A** in the Schedule of Panama, and
 - (ii) for Canada, for goods of Chapters 1 through 97 that are not listed in the Schedule of Canada;
 - (b) duties on originating goods provided for in the items in staging category **B** in a Party's Schedule shall be removed in 3 equal annual stages beginning on the date this Agreement enters into force, and such goods shall be duty-free, effective January 1 of year 3;
 - (c) duties on originating goods provided for in the items in staging category **C** in a Party's Schedule shall be removed in 5 equal annual stages beginning on the date this Agreement enters into force, and such goods shall be duty-free, effective January 1 of year 5;
 - (d) duties on originating goods provided for in the items in staging category **D** in the Schedule of Panama shall be removed in 10 equal annual stages beginning on the date this Agreement enters into force, and such goods shall be duty-free, effective January 1 of year 10;

- (e) duties on originating goods provided for in the items in staging category **F** in the Schedule of Panama shall be reduced by 3% of the base rate beginning on the date this Agreement enters into force. On January 1 of:
- (i) year 2, duties shall be reduced by 6% of the base rate,
 - (ii) year 3, duties shall be reduced by 11% of the base rate,
 - (iii) year 4, duties shall be reduced by 16% of the base rate,
 - (iv) year 5, duties shall be reduced by 21% of the base rate,
 - (v) year 6, duties shall be reduced by 26% of the base rate,
 - (vi) year 7, duties shall be reduced by 44% of the base rate,
 - (vii) year 8, duties shall be reduced by 62% of the base rate,
 - (viii) year 9, duties shall be reduced by 81% of the base rate, and
 - (ix) year 10, duties shall be eliminated entirely so that such goods shall be duty-free;
- (f) duties on originating goods provided for in the items in staging category **G** in the Schedule of Panama shall remain at base rates during years 1 through 5. Beginning on January 1 of year 6, duties shall be reduced in 5 equal annual stages, and such goods shall be duty-free, effective January 1 of year 10;
- (g) duties on originating goods provided for in the items in staging category **H** in the Schedule of Panama 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;

- (h) duties on originating goods provided for in the items in staging category **I** in the Schedule of Panama shall remain at base rates during years 1 through 5. Beginning on January 1 of year 6, duties shall be reduced in 7 equal annual stages, and such goods shall be duty-free, effective January 1 of year 12;
- (i) duties on originating goods provided for in the items in staging category **J** in the Schedule of Panama shall be removed in 15 equal annual stages beginning on the date this Agreement enters into force, and such goods shall be duty-free, effective January 1 of year 15;
- (j) duties on originating goods provided for in the items in staging category **K** in a Party's schedule shall remain at base rates during years 1 through 5. Beginning on January 1 of year 6, duties shall be reduced in 10 equal annual stages, and such goods shall be duty-free, effective January 1 of year 15;
- (k) duties on originating goods provided for in the items in staging category **L** in the Schedule of Panama are exempt from tariff elimination until January 1 of the 7th year after the TPA enters into force, following which duties on those originating goods shall be reduced in 9 equal annual stages, and such goods shall be duty-free, effective January 1 of the 15th year following that entry into force;
- (l) duties on originating goods provided for in the items in staging category **M** in the Schedule of Panama are exempt from tariff elimination until the TPA enters into force. Once the TPA enters into force, beginning on the later of January 1 of the 8th year of the TPA or January 1 of year 8 of this Agreement, duties on those originating goods shall be reduced in 9 equal annual stages, and such goods shall be duty-free, effective on the later of January 1 of the 16th year of the TPA or January 1 of the year 16 of this Agreement;

- (m) duties on originating goods provided for in the items in staging category **N** in the Schedule of Panama are exempt from tariff elimination until the TPA enters into force. Once the TPA enters into force, beginning on the later of January 1 of the 11th year of the TPA or January 1 of year 11 of this Agreement, duties on those originating goods shall be reduced in 7 equal annual stages, and such goods shall be duty-free, effective on the later of January 1 of the 17th year of the TPA or January 1 of year 17 of this Agreement;
- (n) duties on originating goods provided for in the items in staging category **O** in the Schedule of Panama are exempt from tariff elimination until the TPA enters into force. Once the TPA enters into force, beginning on the later of January 1 of the 13th year of the TPA or January 1 of year 13 of this Agreement, duties on those originating goods shall be reduced in 7 equal annual stages, and such goods shall be duty-free, effective on the later of January 1 of the 19th year of the TPA or January 1 of the year 19 of this Agreement;
- (o) duties on the volume over the amount set out in Article 2.16(5), for originating goods provided for in the items in staging category **P** in the Schedule of Panama shall be removed in 5 equal annual stages, beginning on the date this Agreement enters into force, and such goods shall be duty-free, effective January 1 of year 5; and
- (p) duties on originating goods provided for in the items in staging category **E** in a Party's schedule are exempt from tariff elimination.

2. For purposes of this Annex and each Party's Schedule, year 1 means the year this Agreement enters into force as provided in Article 24.04 (Final Provisions - Entry into Force).

3. For purposes of this Annex and a Party's Schedule, beginning in year 2, each annual stage of tariff reduction shall take effect on January 1 of the relevant year.
4. The base rate of customs duty for an item shall be the most-favoured-nation customs duty rate applied on January 1, 2009.
5. For the purpose of the elimination of customs duties in accordance with Article 2.04, interim staged rates shall be rounded down, except as set out in each Party's Schedule attached to this Annex, at least to the nearest tenth of a percentage point or, if the rate of duty is expressed in monetary units, at least to the nearest 0.001 of the official monetary unit of the Party.
6. The Parties agree that:
 - (a) Panama's Schedule is authentic in the Spanish language; and
 - (b) Canada's Schedule is authentic in the English, French and Spanish languages but in case of divergence the English and French texts prevail.

Schedule of Canada

(TARIFF SCHEDULE ATTACHED AS SEPARATE VOLUME)

Schedule of Panama

(TARIFF SCHEDULE ATTACHED AS SEPARATE VOLUME)

Annex 2.18

Agricultural Safeguard Measures for Frozen Pork

Panama may adopt or maintain an agricultural safeguard measure, in accordance with Article 2.18, only on an originating agricultural good listed in the table below:

Good	Tariff Lines	Trigger Level
Frozen Pork	0203.22.10	585 MT
Hams and	0203.22.90	
Shoulders thereof	0203.29.20	
Frozen Pork	0203.29.10	585 MT
Other than Hams	0203.29.90	
and Shoulders thereof		