

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 Ten (Investment) of the United States – Panama Trade Promotion Agreement between our two Governments signed this day (the “Agreement”):

Nothing in Chapter Ten of the Agreement imposes an obligation on Panama to allow private equity investment in any of the following economic activities, which are reserved to the State: gambling activities, post and telegraph, and transmission of energy. In the event that Panama in the exercise of its sovereign rights adopts measures providing for private equity investment in any of these or other activities reserved to the State, Chapter Ten of the Agreement shall apply to such measures, as well as to any other measures relating to such investment, except as otherwise provided in the Agreement.

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 that the Agreement enters into force.

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 Ten (Investment) of the United States – Panama Trade Promotion Agreement between our two Governments signed this day (the “Agreement”):

Nothing in Chapter Ten of the Agreement imposes an obligation on Panama to allow private equity investment in any of the following economic activities, which are reserved to the State: gambling activities, post and telegraph, and transmission of energy. In the event that Panama in the exercise of its sovereign rights adopts measures providing for private equity investment in any of these or other activities reserved to the State, Chapter Ten of the Agreement shall apply to such measures, as well as to any other measures relating to such investment, except as otherwise provided in the Agreement.

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 that the Agreement enters into force.”

I have the honor to confirm that my government shares these understandings, 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,

Alejandro Ferrer