

[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 Panama's Annex I entry regarding retail sales in the United States – Panama Trade Promotion Agreement between our two Governments signed this day (the "Agreement"):

Effective no later than January 1, 2011, the term "retail business" in Panama's Annex I entry regarding retail sales shall not include multiple service businesses.

A multiple service business is a business that

- (a) invests more than US\$3,000,000 in Panama; and
- (b) engages in the sale of goods and the supply of services in a single establishment, including through membership programs.

I have the honor to propose that this understanding shall be treated as an integral part of the Agreement and that this letter and your letter of confirmation in reply shall constitute an agreement between our two Governments.

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 Panama's Annex I entry regarding retail sales in the United States – Panama Trade Promotion Agreement between our two Governments signed this day (the “Agreement”):

Effective no later than January 1, 2011, the term “retail business” in Panama's Annex I entry regarding retail sales shall not include multiple service businesses.

A multiple service business is a business that

- (a) invests more than US\$3,000,000 in Panama; and
- (b) engages in the sale of goods and the supply of services in a single establishment, including through membership programs.

I have the honor to propose that this understanding shall be treated as an integral part of the Agreement and that this letter and your letter of confirmation in reply shall constitute an agreement between our two Governments.”

I have the honor to confirm that my Government shares this understanding, which shall be treated as an integral part of the Agreement, and that your letter and this letter in reply shall constitute an agreement between our two Governments.

Sincerely,

Susan C. Schwab