

[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 the Panama and the United States in the course of negotiations regarding Chapter Twelve (Financial Services) of the United States – Panama Trade Promotion Agreement between our two Governments signed this day (the “Agreement”) relating to the interpretation of Article 26 of Law No. 59 of 1996, which regulates the conduct of insurance and insurance-related services in Panama, and is referenced in the Schedule of Panama to Annex III of the Agreement:

Maintenance or renewal of life and health insurance policies is permitted with respect to policies lawfully contracted, prior to the purchaser’s obtaining status as a temporary or permanent resident in Panama and in accordance with the law of the jurisdiction in which the policy is purchased, with an insurance company not licensed to operate in Panama.

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 the Panama and the United States in the course of negotiations regarding Chapter Twelve (Financial Services) of the United States – Panama Trade Promotion Agreement between our two Governments signed this day (the “Agreement”) relating to the interpretation of Article 26 of Law No. 59 of 1996, which regulates the conduct of insurance and insurance-related services in Panama, and is referenced in the Schedule of Panama to Annex III of the Agreement:

Maintenance or renewal of life and health insurance policies is permitted with respect to policies lawfully contracted, prior to the purchaser's obtaining status as a temporary or permanent resident in Panama and in accordance with the law of the jurisdiction in which the policy is purchased, with an insurance company not licensed to operate in Panama.

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