FREE TRADE AGREEMENT BETWEEN CANADA AND THE REPUBLIC OF PANAMA

CANADA and THE REPUBLIC OF PANAMA ("Panama"), hereinafter referred to as "the Parties", resolved to:

STRENGTHEN the special bonds of friendship and cooperation between their peoples;

CONTRIBUTE to the harmonious development and expansion of world and regional trade and to provide a catalyst to broader international cooperation;

BUILD on their respective rights and obligations under the Marrakesh Agreement Establishing the World Trade Organization and other multilateral and bilateral instruments of cooperation;

PROMOTE hemispheric economic integration;

CREATE an expanded and secure market for the goods and services produced in their territories, as well as new employment opportunities and improved working conditions and living standards in their respective territories;

REDUCE distortions to trade;

ESTABLISH clear, transparent and mutually advantageous rules to govern their trade;

ENSURE a predictable commercial framework for business planning and investment;

ENHANCE the competitiveness of their firms in global markets;

UNDERTAKE each of the preceding in a manner that is consistent with environmental protection and conservation;

ENHANCE AND ENFORCE environmental laws and regulations, and strengthen their cooperation on environmental matters;

PROTECT, ENHANCE AND ENFORCE basic workersâ rights, strengthen cooperation on labour matters and build on their respective international commitments on labour matters;

PROMOTE sustainable development;

ENCOURAGE enterprises operating within their territory or subject to their jurisdiction to respect internationally recognized corporate social responsibility standards and principles and pursue best practices;

PROMOTE broad-based economic development in order to reduce poverty;

PRESERVE their flexibility to safeguard the public welfare;

and

AFFIRMING their rights and obligations under the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights and other intellectual property agreements to which both Parties are party;

AFFIRMING the right to fully avail themselves of the flexibilities established in the TRIPS Agreement, including those related to the protection of public health and in particular the promotion of access to medicines for all, and taking note of the WTO General Council Decision on the implementation of Paragraph 6 of the Doha Declaration on the TRIPS Agreement and Public Health adopted 30 August 2003 and the Protocol amending the TRIPS Agreement of 6 December 2005;

RECOGNIZING the differences in the level of development and the size of the Parties' economies and the importance of creating opportunities for economic development;

RECOGNIZING that the promotion and the protection of investments of investors of one Party in the territory of the other Party will be conducive to the stimulation of mutually beneficial business activity;

RECOGNIZING that states must maintain the ability to preserve, develop and implement their cultural policies for the

purpose of strengthening cultural diversity, given the essential role that cultural goods and services play in the identity and diversity of societies and the lives of individuals; and AFFIRMING their commitment to respect the values and principles of democracy and to promote and protect human rights and fundamental freedoms as proclaimed in the Universal Declaration of Human Rights;

HAVE AGREED as follows:

Chapter One. INITIAL PROVISIONS AND GENERAL DEFINITIONS

Section A. General Definitions

Article 1.01. Definitions of General Application

1. For purposes of this Agreement, unless otherwise specified:

Agreement on the Environment means the Agreement on the Environment between Canada and the Republic of Panama;

Commission means the Joint Commission established under Article 21.01 (Administration of the Agreement - Joint Commission);

Coordinators means the Agreement Coordinators established under Article 21.02 (Administration of the Agreement - Agreement Coordinators);

customs duty includes a customs or import duty and a charge of any kind imposed on or in connection with the importation of a good, including a form of surtax or surcharge in

connection with that importation, but does not include:

(a) a charge equivalent to an internal tax imposed consistently with Article III:2 of the GATT 1994, in respect of like, directly competitive or substitutable goods of the Party, or in respect of goods from which the imported good has been manufactured or produced in whole or in part;

(b) an anti-dumping or countervailing duty that is applied pursuant to a Partyâs domestic law;

(c) a fee or other charge imposed consistent with Article 2.11 (National Treatment and Market Access for Goods - Customs User Fees and Similar Charges); and

(d) a premium offered or collected on an imported good arising out of any tendering system in respect of the administration of quantitative import restrictions, tariff rate quotas or tariff preference levels;

Customs Valuation Agreement means the WTO Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade 1994;

days means calendar days, including weekends and holidays;

enterprise means an entity constituted or organized under applicable law, whether or not for profit, and whether privately owned or governmentally owned, including a corporation, trust, partnership, sole proprietorship, joint venture or other association;

existing means in effect on the date of entry into force of this Agreement;

GATS means the WTO General Agreement on Trade in Services;

GATT 1994 means the WTO General Agreement on Tariffs and Trade 1994;

goods of a Party means domestic products as these are understood in the GATT 1994 or such goods as the Parties may agree, and includes originating goods of that Party;

Harmonized System (HS) means the Harmonized Commodity Description and Coding System, including its General Rules of Interpretation, Section Notes, Chapter Notes and subheading notes;

heading means a four-digit number, or the first four digits of a number, used in the nomenclature of the Harmonized System;

measure includes a law, regulation, procedure, requirement or practice;

national means a natural person who has the nationality of a Party or is a citizen according to Article 1.02, or is a permanent resident of a Party;

New York Convention means the Convention on the Recognition and Enforcement of Foreign Arbitral Awards, done at New York on 10 June 1958;

originating means qualifying under the rules of origin set out in Chapter Three (Rules of Origin);

person means a natural person or an enterprise;

person of a Party means a national, or an enterprise of a Party;

sanitary or phytosanitary measure means a measure referred to in Annex A, paragraph 1 of the SPS Agreement;

SPS Agreement means the WTO Agreement on the Application of Sanitary and Phytosanitary Measures;

state enterprise means an enterprise that is owned, or controlled through ownership interests, by a Party;

subheading means a six-digit number, or the first six digits of a number, used in the nomenclature of the Harmonized System;

tariff classification means the classification of a good or material under a chapter, heading or subheading of the Harmonized System;

tariff elimination schedule means Annex 2.04 (National Treatment and Market Access for Goods - Tariff Elimination);

telecommunications means the transmission and reception of signals by electromagneticmeans;

Tribunal means an arbitration tribunal established under Article 9.23 or 9.27 (Investment - Submission of a Claim to Arbitration and Consolidation);

TPA means the Trade Promotion Agreement between Panama and the United States of America, done on June 28, 2007;

TRIPS Agreement means the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights;

Uniform Regulations means "Uniform Regulations" established under Article 4.12 (Customs Procedures - Uniform Regulations); and

WTO Agreement means the Marrakesh Agreement Establishing the World Trade Organization, done on 15 April 1994.

2. For purposes of this Agreement, a word in the singular includes that word in the plural, except where otherwise indicated.

Article 1.02. Country-specific Definitions

For purposes of this Agreement, unless otherwise specified:

citizen means, with respect to Canada, a natural person who is a citizen of Canada under Canadian legislation;

national government means:

(a) with respect to Canada, the Government of Canada; and

(b) with respect to Panama, the national level of government;

natural person who has the nationality of a Party means, with respect to Panama, Panamanians by birth, naturalization or adoption, in accordance with Articles 9, 10, and 11 of the Constitution of the Republic of Panama;

sub-national government means:

(a) with respect to Canada, provincial, territorial, or local governments; and

(b) with respect to Panama, local governments;

territory means:

(a) with respect to Canada, (i) the land territory, air space, internal waters and territorial sea of Canada; (ii) the exclusive

economic zone of Canada, as determined by its domestic law, consistent with Part V of the United Nations Convention on the Law of the Sea done at Montego Bay on 10 December 1982 (UNCLOS); and (iii) the continental shelf of Canada, as determined by its domestic law, consistent with Part VI of UNCLOS;

(b) with respect to Panama, the land, maritime, and air space under its sovereignty; the exclusive economic zone, and the continental shelf within which it exercises sovereign rights and jurisdiction in accordance with its domestic law and international law.

Section B. Initial Provisions

Article 1.03. Establishment of the Free Trade Area

The Parties to this Agreement, consistent with Article XXIV of the GATT 1994 and Article V of the GATS, hereby establish a free trade area.

Article 1.04. Relation to other Agreements

1. The Parties affirm their existing rights and obligations with respect to each other under the WTO Agreement and other agreements to which the Parties are party.

2. In the event of any inconsistency between this Agreement and the agreements referred to in paragraph 1, this Agreement shall prevail, except as otherwise provided in this Agreement.

3. The WTO Agreement exclusively governs the rights and obligations of the Parties regarding subsidies and the application of anti-dumping and countervailing measures, including the settlement of any disputes about those matters. This paragraph does not apply to Articles 2.04(5) and 2.13 (National Treatment and Market Access for Goods - Tariff Elimination and Agricultural Export Subsidies).

Article 1.05. Extent of Obligations

Each Party is fully responsible for the observance of all provisions of this Agreement and shall take such reasonable measures as may be available to it to ensure observance of the provisions of this Agreement, except as otherwise provided in this Agreement, by the sub-national governments and authorities within its territory.

Article 1.06. Relation to Environmental and Conservation Agreements

In the event of an inconsistency between an obligation in this Agreement and an obligation of a Party under an agreement listed in Annex 1.06, the latter obligation shall prevail provided that the measure taken is necessary to comply with that obligation, and is not applied in a manner that would constitute, where the same conditions prevail, arbitrary or unjustifiable discrimination or a disguised restriction on international trade.

Article 1.07. Reference to other Agreements

Where this Agreement refers to or incorporates by reference other agreements or legal instruments in whole or in part, those references include related footnotes, interpretative and explanatory notes. Except where the reference affirms existing rights, such references also include, as the case may be, successor agreements to which the Parties are party or amendments binding on the Parties.

Annex 1.06. Multilateral Environmental Agreements

(a) The Convention on International Trade in Endangered Species of Wild Fauna and Flora, done at Washington on 3 March 1973, as amended on 22 June 1979.

(b) The Montreal Protocol on Substances that Deplete the Ozone Layer, done at Montreal on 16 September 1987, as amended 29 June 1990, as amended 25 November 1992, as amended 17 September 1997, as amended 3 December 1999.

(c) The Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal, done at Basel on 22 March 1989.

(d) The Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in

International Trade, done at Rotterdam on 10 September 1998.

(e) The Stockholm Convention on Persistent Organic Pollutants, done at Stockholm on 22 May 2001.

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 I 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 Partyâs 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 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 VII 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 (MEN) 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 Repiblica de Panama: 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 Panamaâs 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 Repiblica de Panama: 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 Panamaâs 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 Importacion de la Republica de Panamd: 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 XII 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 Panamaâs 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 Panamaâs 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.

Chapter Three. RULES OF ORIGIN

Article 3.01. Definitions

For purposes of this Chapter:

aquaculture means the farming of aquatic organisms, including fish, molluscs, crustaceans, other aquatic invertebrates and aquatic plants, from seedstock such as eggs, fry, fingerlings and larvae, by intervention in the rearing or growth processes to enhance production, such as regular stocking, feeding or protection from predators;

customs value means the value as determined under the Customs Valuation Agreement;

fungible goods means goods that are interchangeable for commercial purposes and whose properties are essentially identical;

fungible materials means materials that are interchangeable for commercial purposes and whose properties are essentially identical;

Generally Accepted Accounting Principles means the principles used in the territory of each Party that provide substantial authorized support with regard to the recording of income, costs, expenses, assets and liabilities involved in the disclosure of information and preparation of financial statements; these principles may be broad guidelines of general application, as well as those standards, practices and procedures usually employed in accounting;

good includes a product, article or material;

good wholly obtained or produced entirely in the territory of one or both of the Parties means:

(a) a mineral or other non-living natural resource extracted in or taken from the territory of one or both of the Parties;

(b) a plant or plant product harvested in the territory of one or both of the Parties;

(c) a live animal born and raised in the territory of one or both of the Parties;

(d) a good obtained from a live animal in the territory of one or both of the Parties;

(e) a good obtained from hunting, trapping, fishing or aquaculture in the territory of one or both of the Parties;

(f) fish, shellfish or other marine life taken from the sea, seabed or subsoil outside the territory of one or both of the Parties by a vessel registered, recorded or listed with a Party, or a vessel leased by a company established in the territory of a Party, and entitled to fly its flag, except any good subject to a regulation adopted pursuant to the Special Economic Measures Act, Â§.C. 1992, c. 17, as amended;

(g) a good produced on board a factory vessel from the goods referred to in subparagraph (f), provided the factory vessel is registered, recorded or listed with a Party, or leased by a company established in the territory of a Party, and entitled to fly its flag;

(h) a good, other than fish, shellfish or other marine life, taken or extracted from the Area, as defined in Article 1(1) of the UNCLOS, by a vessel registered, recorded or listed with a Party and entitled to fly its flag, or by a Party or a person of a Party;

(i) a good taken from outer space, provided it is obtained by a Party or a person of a Party and not processed in a non-Party;

(j) waste and scrap derived from production in the territory of one or both of the Parties;

(k) raw material or a component recovered from a used good collected in the territory of one or both of the Parties, provided the good is fit only for such recovery; this includes such raw materials and components for use in the production of remanufactured goods; or

(l) a good produced in the territory of one or both of the Parties exclusively from a good referred to in subparagraphs (a) through (k), or from its derivatives;

indirect material means a good used in the production, testing or inspection of a good but not physically incorporated into

the good, or a good used in the maintenance of buildings or the operation of equipment associated with the production of a good, including:

(a) fuel and energy;

(b) tools, dies and moulds;

(c) a spare part or material used in the maintenance of equipment or buildings;

(d) a lubricant grease, compounding material or other material used in the production or operation of equipment or buildings;

(e) gloves, glasses, footwear, clothing, and safety equipment and supplies;

(f) equipment, devices, and supplies used for testing or inspecting the good;

(g) a catalyst or solvent; or

(h) any other good that is not incorporated into the good but whose use in the production of the good can reasonably be demonstrated to be a part of that production;

intermediate material means a material that is produced by a producer of a good and used in the production of that good;

listed with a Party means a foreign registered vessel bare-boat chartered to a Canadian citizen, a permanent resident of Canada or a Canadian corporation which is listed in the Canadian Register of Vessels for the duration of the charter and whose registration in the foreign country is suspended for the duration of the charter;

material means a good that is used in the production of another good, and includes a part or an ingredient;

mola (or morra in the native Kuna language) means a good, traditional and historic in nature, produced in the territory of Panama through reverse appliqué of small decorative pieces of cloth onto a larger piece, elaborated back to front with a combination of fabrics of different bright colours; a mola is made up by hand in two or more layers of cut fabrics, hand sewn one over the other, and is usually inspired in nature, cosmic view, or geometrical designs;

net cost means total cost minus sales promotion, marketing and after-sales service costs, royalties, shipping and packing costs, and non-allowable interest costs that are included in the total cost;

non-allowable interest costs means interest costs incurred by a producer that exceed the applicable national government interest rate identified for comparable maturities by more than 700 basis points;

non-originating good means a good that does not qualify as originating under this Chapter;

non-originating material means a material that does not qualify as originating under this Chapter

other costs means all costs that are not product costs or period costs;

period cost means a cost other than product cost that is expensed in the period in which it is incurred, including a selling expense or a general and administrative expense;

product cost means a cost that is associated with the production of a good and includes the value of material, direct labour cost or direct overhead;

producer means a person who grows, mines, raises, harvests, fishes, traps, hunts, manufactures, processes, assembles or disassembles a good;

production means growing, mining, raising, harvesting, fishing, trapping, hunting, manufacturing, processing, assembling or disassembling a good;

reasonably allocate means to apportion in a manner appropriate to the circumstances;

remanufactured good means a good that is entirely or partially comprised of a recovered good;

royalty means a payment, including a payment under a technical assistance or similar agreement, made as consideration for the use or right to use a copyright, literary, artistic, or scientific work, patent, trademark, design, model, plan, secret formula or process, excluding a payment under technical assistance or similar agreements that can be related to specific services such as:

(a) personnel training, without regard to where performed; and

(b) if performed in the territory of one or both of the Parties, engineering, tooling, die-setting, software design and similar computer services, or other services;

sales promotion, marketing and after-sales service cost means a cost related to:

(a) sales or marketing promotion; media advertising; advertising or market research; promotional or demonstration materials; exhibits; sales conferences, trade shows and conventions; banners; marketing displays; free samples; sales, marketing or after-sales service literature (product brochures, catalogues, technical literature, price lists, service manuals, sales aid information); establishment or protection of logos or trademarks; sponsorships; wholesale or retail restocking charges; entertainment;

(b) sales or marketing incentives; consumer, retailer or wholesaler rebates; merchandise incentives;

(c) salaries or wages, sales commissions, bonuses, benefits (for example, medical, insurance, pension), travelling or living expenses, membership and professional fees for sales promotion, marketing or after-sales service personnel;

(d) recruiting or training of sales promotion, marketing or after-sales service personnel or after-sales training of customers' employees, where these costs are identified separately for sales promotion, marketing or after-sales service of goods on the financial statements or cost accounts of the producer;

(e) product liability insurance;

(f) office supplies for sales promotion, marketing or after-sales service of goods, where such costs are identified separately for sales promotion, marketing or after-sales service of goods on the financial statements or cost accounts of the producer;

(g) telephone, mail and other communications, where such costs are identified separately for sales promotion, marketing or after-sales service of goods on the financial statements or cost accounts of the producer;

(h) rent or depreciation of sales promotion, marketing or after-sales service offices or distribution centres;

(i) property insurance premiums, taxes, cost of utilities, or cost of repair or maintenance of sales promotion, marketing or after-sales service offices or distribution centres, where these costs are identified separately for sales promotion, marketing or after-sales service of goods on the financial statements or cost accounts of the producer; or

(j) payments by the producer to other persons for warranty repairs;

shipping and packing cost means a cost incurred in packing a good for shipment or shipping the good from the point of direct shipment to the buyer, excluding the cost of preparing and packaging the good for retail sale;

tariff provision means a chapter, heading or subheading of the Harmonized System;

total cost means a product cost, period cost, or other cost incurred in the territory of one or both of the Parties;

transaction value means the price actually paid or payable for a good, including a material, with respect to a transaction of the producer of the good, adjusted in accordance with the principles of Article 8(1), (3) and (4) of the Customs Valuation Agreement to include, among other things, such costs as commissions, production assists, royalties or license fees;

transaction value of the good, or transaction value of the set or assortment means:

(a) the transaction value of the good or the transaction value of the set or assortment when sold by the producer at the place of production, or

(b) the customs value of the good or the set or assortment, and adjusted, if necessary, to exclude any cost incurred subsequent to the good leaving the place of production, such as freight and insurance; and

value of a non-originating material means:

(a) the transaction value or the customs value of the material at the time it is imported into a Party, adjusted, if necessary, to include freight, insurance, packing or other costs incurred in transporting the material to the place of importation; or

(b) in the case of a domestic transaction, the value of the material determined in accordance with the principles of the Customs Valuation Agreement in the same manner as an international transaction, with any modification required by the circumstances.

Article 3.02. Originating Goods

Except as otherwise provided in this Chapter, a good originates in the territory of a Party where:

(a) the good is wholly obtained or produced entirely in the territory of one or both of the Parties;

(b) each of the non-originating materials used in the production of the good undergoes an applicable change in tariff classification as set out in Annex 3.02 as a result of production occurring entirely in the territory of one or both of the Parties, or the good otherwise satisfies the applicable requirements of that Annex where a change in tariff classification is not required, and the good satisfies all other applicable requirements of this Chapter;

(c) the good is produced entirely in the territory of one or both of the Parties exclusively from originating materials; or

(d) except as provided in Annex 3.02 or except for a good of heading 39.01 through 39.14 or Chapters 50 through 63 of the Harmonized System:

(i) the good is produced entirely in the territory of one or both of the Parties,

(ii) a non-originating material used in the production of the good cannot satisfy the requirements set out in Annex 3.02 because both the good and the non-originating material are classified in the same subheading or heading that is not further subdivided into subheadings,

(iii) the value of a non-originating material used in the production of the good, classified as or with the good, does not exceed 65 per cent of the transaction value of the good, and

(iv) the good satisfies the other applicable requirements of this Chapter.

Article 3.03. Certain Textile and Apparel Goods

Mola, or textile or apparel goods that incorporate mola, that are both cut or knit to shape, and sewn or otherwise assembled in the territory of one or both of the Parties originate in the territory of a Party.

Article 3.04. Value Test

1. Except as provided in paragraph 2, where the applicable rule of origin in Annex 3.02 for the tariff provision under which a good is classified specifies a value test, the value test is satisfied provided the value of all non-originating material used in the production of the good does not exceed the percentage specified in Annex 3.02 of the transaction value of the good under the following formula:

Value of non-originating material used in the production of the good as a percentage of the transaction value of the good =

Value of Non-Originating Material x 100 / Transaction Value of the Good

2. For the purpose of a good of headings 87.01 through 87.08, at the choice of an exporter or a producer of that good, the value test is satisfied if the value of a non-originating material used in the production of the good does not exceed the percentage specified in Annex 3.02 of either the transaction value or the net cost of the good.

3. The value of all non-originating material used by the producer in the production of a good does not, for the purposes of satisfying the value test under either paragraph 1 or 2, include the value of all non-originating material used to produce originating material that is subsequently used in the production of the good.

4. For the purpose of paragraph 3, the value of a non-originating material in paragraphs 1 and 2 does not include:

(a) the value of all non-originating material used by another producer to produce an originating material that is subsequently acquired and used in the production of the good by the producer of the good; or

(b) the value of all non-originating material used by the producer to produce an originating intermediate material.

5. For the purpose of calculating the net cost of a good under paragraph 2, the producer of the good may:

(a) calculate the total cost incurred with respect to all goods produced by that producer, subtract any sales promotion, marketing and after-sales service cost, royalty, shipping and packing cost, as well as a non-allowable interest cost that is included in the total cost of all those goods, and then reasonably allocate the resulting net cost of those goods to the good;

(b) calculate the total cost incurred with respect to all goods produced by that producer, reasonably allocate the total cost to the good, and then subtract any sales promotion, marketing and after-sales service cost, royalty, shipping and packing cost and non-allowable interest cost that is included in the portion of the total cost allocated to the good; or

(c) reasonably allocate each cost that forms part of the total cost incurred with respect to the good so that the aggregate of these costs does not include any sales promotion, marketing and after-sales service cost, royalty, shipping and packing cost, or non-allowable interest cost.

6. For the purpose of this Article, value of an intermediate material means:

(a) the total cost incurred with respect to all goods produced by the producer of the good that can be reasonably allocated to that intermediate material; or

(b) the sum of all costs that comprise the total cost incurred with respect to that intermediate material that can be reasonably allocated to that intermediate material.

Article 3.05. Accumulation

1. For the purpose of determining whether a good is an originating good, the production of the good in the territory of one or both of the Parties by one or more producer is, at the choice of the exporter or producer of the good, considered to have been performed in the territory of either of the Parties by that exporter or producer, if:

(a) all non-originating materials used in the production of the good satisfy the requirements set out in Annex 3.02, entirely in the territory of one or both of the Parties; and

(b) the good satisfies all other applicable requirements of this Chapter.

2. Subject to paragraph 3, where each Party has a trade agreement that establishes or leads to the establishment of a free trade area with the same non-Party, as contemplated by the WTO Agreement, the territory of that non-Party is deemed to form part of the territory of the free trade area established by this Agreement, for the purpose of determining whether a good is an originating good under this Agreement.

3. A Party shall give effect to paragraph 2 only once provisions with an effect equivalent to paragraph 2 are in force between each Party and the non-Party, and upon agreement by the Parties on whether to limit such provisions to specified goods or under specified conditions.

Article 3.06. De Minimis

1. Except as provided in paragraphs 2 through 4, a good is an originating good if the value of all non-originating material used in the production of the good that does not undergo an applicable change in tariff classification set out in Annex 3.02 does not exceed 10 per cent of the transaction value of the good, if:

(a) when the rule of origin of Annex 3.02 applicable to the good contains a percentage for the maximum value of non-originating materials, the value of that non-originating material is included in calculating the value of a non-originating material; and

(b) the good satisfies all other applicable requirements of this Chapter.

2. Except as provided in Annex 3.02, paragraph 1 does not apply to a non- originating material used in the production of a good of Chapters 1 through 22 of the Harmonized System unless the non-originating material is provided for in a different subheading from the good for which origin is being determined under this Article. However, paragraph 1 does apply when the good and the non-originating material are classified in the same subheading, provided that the material is different from the good.

3. A good of Chapters 50 through 60 of the Harmonized System that does not originate because certain non-originating yarns used in the production of the good do not fulfil the requirements set out in Annex 3.02 is nonetheless originating if the total weight of all those yarns does not exceed 10 per cent of the total weight of the good.

4. A good of Chapters 61 through 63 of the Harmonized System that does not originate because certain non-originating yarns used in the production of the component of the good that determines the tariff classification of that good do not fulfil the requirements set out in Annex 3.02, is nonetheless originating if the total weight of all those yarns in that component does not exceed 10 per cent of the total weight of that component.

Article 3.07. Fungible Materials and Goods

For the purpose of determining whether a good is an originating good, if:

(a) originating and non-originating fungible material are used in the production of a good, the determination of whether the fungible material is originating may be made in accordance with an inventory management method recognized in, or otherwise accepted by, the Generally Accepted Accounting Principles of the Party in which the production takes place; and

(b) originating and non-originating fungible goods are physically combined or mixed in inventory in a Party and exported in the same form to the other Party, the determination of whether the good is an originating good may be made in accordance with an inventory management method recognized in, or otherwise accepted by, the Generally Accepted Accounting Principles of the Party from which the good is exported.

Article 3.08. Sets or Assortments of Goods

1. Except as provided in Annex 3.02, a set, as referred to in Rule 3 of the General Rules for the Interpretation of the Harmonized System, ot an assortment of goods is originating if:

(a) all the component goods in the set or assortment, packaging materials and containers, are originating; or

(b) the set or assortment contains a non-originating component good, packaging material or container, the value of all non-originating component goods, packaging materials and containers for the set or assortment, does not exceed 15 per cent of the transaction value of the set or assortment.

2. The value of a non-originating component good, packaging material or container is calculated in the same manner as the value of a non-originating material.

Article 3.09. Accessories, Spare Parts and Tools

An accessory, spare part or tool delivered with the good that forms part of the goodâs standard accessories, spare parts or tools, is originating if the good is originating. The accessory, spare part or tool is disregarded in determining whether all the non- originating materials used in the production of the good satisfy the requirements set out in Annex 3.02, if:

(a) the accessory, spare part or tool is not invoiced separately from the good; and

(b) the quantity and value of the accessory, spare part or tool are customary for the good.

Article 3.10. Indirect Materials

An indirect material is originating without regard to where it is produced.

Article 3.11. Intermediate Materials Used In Production

1. If an intermediate material is originating, no account is taken of non-originating material contained in that intermediate material when it is subsequently used in the production of another good.

2. For the purpose of determining the origin of a good, a producer of a good may designate an intermediate material as a material to be taken into account as an originating or non-originating material, as the case may be, in determining whether the good satisfies the applicable requirements of the rules of origin.

Article 3.12. Packaging Materials and Containers for Retail Sale

Except as provided in Article 3.08 and Annex 3.02, a packaging material or container in which a good is packaged for retail sale is disregarded in determining whether:

(a) the non-originating material satisfies the applicable requirements set out in Annex 3.02; or

(b) the good meets the requirements established in Article 3.02(a) or (c).

Article 3.13. Packing Materials and Containers for Shipment

A packing material, container, pallet or similar article, in which a good is packed for shipment is disregarded in determining whether that good is originating.

Article 3.14. Transit and Transshipment

1. An originating good that is exported from a Party maintains its originating status only if the good:

(a) does not undergo further production or any other operation outside the territories of the Parties, other than unloading, reloading or any other operation necessary to preserve it in good condition or to transport the good to the territory of a Party; and

(b) remains under customs control while outside the territories of the Parties.

2. The Parties recognize that a good qualifying as an originating good under a trade agreement between a Party and a non-Party, which establishes or leads to the establishment of a free trade area, does not lose its originating status under that agreement solely by reason of transiting or being transhipped through a Partyâs territory or by reason of the wholesale purchase or sale of that good in a Party's free trade zone, if all the conditions required under the applicable provisions of that agreement are met.

Article 3.15. Interpretation and Application

For the purpose of this Chapter:

(a) the basis for tariff classification in this Chapter is the Harmonized System;

(b) where applying Article 3.02(d), the determination of whether a heading or subheading under the Harmonized System provides for both a good and the material that is used in the production of the good is made on the basis of the nomenclature of the heading or subheading and the relevant Section or Chapter Notes, in accordance with the General Rules for the Interpretation of the Harmonized System; and

(c) costs referred to in this Chapter must be recorded and maintained in accordance with the Generally Accepted Accounting Principles applicable in the territory of the Party in which the good is produced.

Article 3.16. Consultation and Modifications

1. The Parties shall consult regularly to ensure that this Chapter is administered effectively, uniformly and consistently with the spirit and objectives of this Agreement, and shall cooperate in the administration of this Chapter in accordance with Chapter Four (Customs Procedures).

2. A Party that considers that this Chapter requires modification to take into account developments in production processes or other matters may submit a proposed modification along with supporting rationale and any studies to the other Party for consideration and appropriate action by the Committee on Trade in Goods and Rules of Origin.

Chapter Four. CUSTOMS PROCEDURES

Article 4.01. Definitions

For purposes of this Chapter:

customs administration means the governmental authority that is responsible under the law of a Party for the administration of customs laws and regulations;

determination of origin means a determination as to whether a good qualifies as originating in accordance with Chapter Three (Rules of Origin);

exporter means an exporter located in the territory of a Party;

identical goods means goods that are the same in all respects, including physical characteristics, quality and reputation, irrespective of minor differences in appearance that are not relevant to a determination of origin of those goods under Chapter Three (Rules of Origin);

importer means an importer located in the territory of a Party;

preferential tariff treatment means the rate of duty applicable under this Agreement to an originating good; and

value means value of a good or material for purposes of calculating customs duties or for the purposes of applying Chapter Three (Rules of Origin).

The following terms have the same meaning as in Article 3.01 (Rules of Origin-Definitions):

(a) Generally Accepted Accounting Principles;

(b) indirect material;

(c) material;

(d) net cost;

(e) producer; and

(f) production.

Section I. Certification of Origin

Article 4.02. Certificate of Origin

1. The Parties shall establish, no later than the date of entry into force of this Agreement, a Certificate of Origin for the purpose of certifying that a good being exported from the territory of a Party into the territory of the other Party qualifies as an originating good. The Certificate of Origin may thereafter be modified as the Parties may decide.

2. Each Party shall permit the Certificate of Origin for a good imported into its territory to be completed in English, French or Spanish.

3. Each Party shall:

(a) require an exporter in its territory to complete and sign a Certificate of Origin for the exportation of a good for which an importer may claim preferential tariff treatment upon importation of the good into the territory of the other Party; and

(b) provide that, when an exporter in its territory is not the producer of the good, the exporter may complete and sign a Certificate of Origin on the basis of:

(i) knowledge of whether the good qualifies as an originating good,

(ii) reasonable reliance on the producer's written representation that the good qualifies as an originating good, or

(iii) completed and signed Certificate of Origin for the good, voluntarily provided to the exporter by the producer.

4. Under paragraph 3 neither Party may require a producer to provide a Certificate of Origin to an exporter.

5. Each Party shall permit a Certificate of Origin to apply to:

(a) a single importation of one or more goods into the Party's territory; or

(b) multiple importations of identical goods into the Party's territory that occur within a specified period not exceeding 12 months.

6. Each Party shall ensure that the Certificate of Origin is accepted by its customs administration for 4 years after the date on which the Certificate of Origin was signed.

Article 4.03. Obligations Regarding Importations

1. Except as otherwise provided in this Chapter, each Party shall require an importer in its territory that claims preferential tariff treatment for a good imported into its territory from the territory of the other Party to:

(a) make a written declaration, in the import document provided by its laws and regulations, based on a valid Certificate of Origin, that the good qualifies as originating;

(b) have the Certificate of Origin in its possession at the time the declaration is made;

(c) provide, at the request of that Party's customs administration, a copy of the Certificate of Origin and, if required by the customs administration, a translation of the Certificate of Origin in a language required by its domestic law; and

(d) promptly make a corrected declaration in a manner required by the customs administration of the importing Party and pay any duties owing when the importer has reason to believe that a Certificate of Origin on which a declaration was based contains information that is incorrect.

2. For the purpose of paragraph 1(d), if the customs administration of the importing Party determines that the Certificate of Origin has not been completed in accordance with Article 4.02, the importing Party shall ensure that the importer is granted no less than 5 working days to provide the customs administration with a corrected Certificate of Origin.

3. When an importer claims preferential tariff treatment for a good imported into the territory of a Party from the territory of the other Party:

(a) the importing Party may deny preferential tariff treatment to the good if the importer fails to comply with a requirement under this Chapter; and

(b) the importing Party shall not subject the importer to penalties for making an incorrect declaration if the importer voluntarily corrects the declaration under paragraph 1(d).

4. Each Party, through its customs administration, may require an importer to demonstrate that a good for which the importer claims preferential tariff treatment was shipped in accordance with Article 3.14 (Rules of Origin - Transit and Transshipment) by providing:

(a) carrier documents, including bills of lading or waybills, indicating the shipping route and all points of shipment and transshipment prior to the importation of the good, and

(b) where the good is shipped through or transshipped outside the territories of the Parties, a copy of the customs control documents indicating to that customs administration that the good remained under customs control while outside the territories of the Parties.

5. Where a good would have qualified as an originating good when it was imported into the territory of a Party, but no claim for preferential tariff treatment was made at the time of importation, the importing Party shall permit the importer, within a period of no less than 1 year after the date of importation, to apply for a refund of any excess duties paid as a result of the good not having been granted preferential tariff treatment, on presentation to the customs administration of the importing Party of:

(a) a written declaration that the good qualified as originating at the time of importation;

(b) a copy of the Certificate of Origin; and

(c) other documentation relating to the importation of the good required by the importing Party.

Article 4.04. Exceptions

A Party shall not require a Certificate of Origin for:

(a) an importation of a good whose value does not exceed USD 1,000 or its equivalent amount in the Party's currency, or a higher amount that the Party establishes, except that it may require that the invoice accompanying the importation include a statement from the exporter certifying that the good qualifies as an originating good, or

(b) an importation of a good for which the importing Party has waived the requirement for a Certificate of Origin,

provided that the importation does not form part of a series of importations that may reasonably be considered to have been undertaken or arranged for the purpose of avoiding the certification requirements of Articles 4.02 and 4.03.

Article 4.05. Obligations Regarding Exportations

1. Each Party shall provide that:

(a) on the request of its customs administration, an exporter in its territory, or a producer in its territory that has provided a copy of a Certificate of Origin to that exporter in accordance with Article 4.02(3)(b)(iii) must provide a copy of the Certificate of Origin to its customs administration;

(b) an exporter or a producer in its territory that has completed and signed a Certificate of Origin and has reason to believe that the Certificate of Origin contains information that is incorrect must promptly notify in writing every person to whom each has provided the Certificate of Origin of a change that could affect the accuracy or validity of the Certificate of Origin; and

(c) a false certification by an exporter or a producer in its territory that a good to be exported to the territory of the other Party qualifies as originating is subject to the same legal consequences, with appropriate modifications, as would apply to an importer in the territory of the exporting Party that makes a false statement or representation in connection with an importation.

2. Neither Party may impose penalties on an exporter or a producer in its territory that voluntarily provides written notification under paragraph 1(b) with respect to the making of an incorrect certification.

3. Each Party may apply a measure that the circumstances warrant if an exporter or a producer in its territory fails to comply with a requirement of this Chapter.

Section II. Administration and Enforcement

Article 4.06. Records

1. Each Party shall provide that:

(a) an exporter or a producer in its territory that completes and signs a Certificate of Origin must maintain in its territory, for 5 years after the date on which the Certificate of Origin was signed or for a longer period as specified by the Party, records relating to the origin of a good for which preferential tariff treatment was claimed in the territory of the other Party, including records associated with:

(i) the purchase of, cost of, shipping of, value of, and payment for, the exported good,

(ii) the purchase of, cost of, value of, and payment for all materials, including indirect materials, used in the production of the exported good, and

(iii) the production of the good in the form in which it was exported;

and

(b) an importer claiming preferential tariff treatment for a good imported into the Party's territory must maintain, in that territory documentation relating to the importation of the good, including a copy of the Certificate of Origin, for 5 years after the date of importation of the good or for a longer period as specified by the Party.

2. When a Party requires importers, exporters or producers in its territory to maintain documentation or records in relation to the origin of the good, in accordance with that Party's laws and regulations, it shall permit them to do so in any medium, provided that the documentation or records can be retrieved and printed.

3. A Party may deny preferential tariff treatment to a good that is the subject of an origin verification where the exporter, producer or importer of the good that is required to maintain records or documentation under this Article:

(a) fails to maintain records or documentation relevant to determining the origin of the good in accordance with the requirements of the Chapter; or

(b) denies access to the records or documentation.

Article 4.07. Origin Verifications

1. For purposes of determining whether a good imported into its territory from the territory of the other Party qualifies as an originating good, a Party may, through its customs administration, conduct a verification only by means of:

(a) verification letters requesting information from the exporter or producer of the good in the territory of the other Party;

(b) written questionnaires to an exporter or a producer in the territory of the other Party;

(c) visits to the premises of an exporter or a producer in the territory of the other Party to review the records referred to in Article 4.06(1)(a) and observe facilities used in the production of the good; or

(d) any other method that the Parties decide.

2. For purposes of verifying the origin of a good, the importing Party may request the importer of the good to voluntarily obtain and supply written information voluntarily provided by the exporter or producer of the good in the territory of the other Party. The importing Party shall not consider the failure or refusal of the importer to obtain and supply that information as a failure of the exporter or producer to supply the information or as a ground for denying preferential tariff treatment.

3. Each Party shall allow an exporter or producer who receives a verification letter under paragraph 1(a) or a questionnaire under paragraph 1(b) no less than 30 days from the date of receipt of that letter or questionnaire to provide the information and documentation required or the completed questionnaire. On written request by the exporter or producer made during that period, the importing Party may grant the exporter or producer a single extension of the deadline for a period of no more than 30 days.

4. If an exporter or producer fails to provide the information and documentation required by a verification letter or fails to return a duly completed questionnaire within the period or extension set out in paragraph 3, the importing Party may deny preferential tariff treatment to the good in question in accordance with the procedures set out in paragraphs 14, 15 and 16.

5. Prior to conducting a verification visit under paragraph 1(c), a Party, through its customs administration, shall:

(a) deliver a written notification of its intention to conduct the visit:

(i) to the exporter or producer whose premises are to be visited,

(ii) to the customs administration of the other Party, and

(iii) if requested by the other Party, to the embassy of that Party in the territory of the Party proposing to conduct the visit; and

(b) obtain the written consent of the exporter or producer whose premises are to be visited.

6. The notification referred to in paragraph 5 must include:

(a) the identity of the customs administration issuing the notification;

(b) the name of the exporter or producer whose premises are to be visited;

(c) the date and place of the proposed verification visit;

(d) the object and scope of the proposed verification visit, including specific reference to the good that is the subject of the verification;

(e) the names and titles of the officials performing the verification visit; and

(f) the legal authority for the verification visit.

7. If an exporter or producer has not given its written consent to a proposed verification visit within 30 days of receipt of a notification under paragraph 5, the notifying Party may deny preferential tariff treatment to the good that would have been the subject of the visit.

8. The Party whose customs administration receives notification under paragraph 5(a)(ii), within 15 days of receipt of the notification, may postpone in writing to the customs administration who sent the notice, the proposed verification visit for no more than 60 days from the date of that receipt or for a longer period that the Parties may decide.

9. Each Party shall allow, when the exporter or producer receives notification under paragraph 5(a)(i), the exporter or producer to, on a single occasion, within 15 days of receipt of the notification, request in writing the postponement of the proposed verification visit for no more than 60 days from the date of that receipt or for a longer period as accepted by the notifying Party.

10. A Party shall not deny preferential tariff treatment to a good based only on the postponement of a verification visit under paragraphs 8 or 9.

11. A Party shall permit an exporter or a producer whose good is the subject of a verification visit by the other Party to designate two observers to be present during the visit, provided that:

(a) the observers do not participate in a manner other than as observers; and

(b) the failure of the exporter or producer to designate observers does not result in the postponement of the visit.

12. When a Party conducts a verification of origin involving a value test, de minimis calculation or any other provision in Chapter Three (Rules of Origin) to which Generally Accepted Accounting Principles may be relevant, it shall apply those principles as they apply in the territory of the other Party from which the good was exported.

13. When the producer of a good calculates the net cost of the good as set out in Article 3.04 (Rules of Origin - Value Test), the importing Party will not verify, during the period over which the net cost is being calculated, whether the good satisfies the value test.

14. The Party conducting a verification shall provide the exporter or producer whose good is the subject of the verification with a written determination of whether the good qualifies as originating, including findings of fact and the legal basis for the determination.

15. If a Party determines as a result of an origin verification that the good that is the subject of the verification does not qualify as originating, the Party shall include in its written determination under paragraph 14 a written notice of intent to deny preferential tariff treatment of the good.

16. Each Party shall ensure that a written notice of intent to deny preferential tariff treatment under paragraph 15 provides for at least 30 days during which the exporter or producer of the good may provide, with regard to that determination, written comments or additional information that will be taken into account by the Party prior to completing the verification.

17. In accordance with each Party's laws and regulations, if verifications by a Party indicate a pattern of conduct by an exporter or a producer of false or unsupported representations that a good imported into its territory qualifies as originating, the Party may withhold preferential tariff treatment to identical goods exported or produced by that exporter or producer until that exporter or producer establishes compliance with Chapter Three (Rules of Origin).

18. If, in conducting a verification of origin of a good imported into its territory under this Article, a Party conducts a verification of the origin of a material that is used in the production of the good, the Party shall conduct the verification of origin of the material in accordance with the procedures in paragraphs 1 through 3, 5, 6, 8, 9 through 13 and 20.

19. When a Party conducts a verification under paragraph 18, the Party may consider the material to be non-originating in determining whether the good is an originating good if the producer or supplier of that material does not allow the Party access to information required to make a determination of whether the material is an originating material by the following or other means:

(a) denial of access to its records;

(b) failure to respond to a verification questionnaire or letter; or

(c) refusal to consent, within 30 days of receipt of a notification under paragraph 5, to a verification visit.

20. For purposes of this Article, the importing Party shall ensure that communication to the exporter or producer and to the other Party are sent by means that can produce a confirmation of receipt. The periods referred to in this Article begin from the date of that receipt.

Article 4.08. Confidentiality

1. Each Party shall maintain, in accordance with its domestic law, the confidentiality of the information collected under this Chapter and shall protect that information from disclosure that could prejudice the competitive position of a person providing the information. If the Party receiving or obtaining the information is required by its domestic law to disclose the information, that Party shall notify the person or Party who provided that information.

2. Each Party shall ensure that the confidential information collected under this Chapter is not used for purposes other than the administration and enforcement of determinations of origin and of customs matters, except with the authorization of the person or Party who provided the confidential information.

3. Notwithstanding paragraph 2, a Party may allow information collected under this Chapter to be used in any administrative, judicial or quasi-judicial proceedings instituted for failure to comply with customs related laws and regulations implementing Chapter Three (Rules of Origin) and this Chapter. A Party shall notify the person or Party who provided the information in advance of that use.

Article 4.09. Penalties

Each Party shall adopt or maintain measures for imposing criminal, civil or administrative penalties for violations of its laws and regulations relating to this Chapter.

Section II. Advance Rulings

Article 4.10. Advance Rulings

1. Each Party, through its customs administration, shall provide for the expeditious issuance of a written advance ruling, prior to the importation of a good into its territory, to an importer in its territory or an exporter or a producer in the territory of the other Party, on the basis of the facts and circumstances presented by that importer, exporter or producer of the good, concerning whether a good qualifies as an originating good in accordance with Chapter Three (Rules of Origin).

2. Each Party shall adopt or maintain procedures for the issuance of an advance ruling, including a detailed description of the information reasonably required to process an application for a ruling.

3. Each Party shall provide that its customs administration:

(a) during the course of an evaluation of an application for an advance ruling, may request supplemental information from the person requesting the ruling;

(b) after it has obtained necessary information from the person requesting an advance ruling, shall issue the ruling within 120 days; and

(c) shall provide to the person requesting the ruling a full explanation of the reasons for the ruling.

4. The customs administration may decline or postpone the issuance of an advance ruling if the ruling involves an issue that is the subject of:

(a) a verification of origin;

(b) a review by or appeal to the customs administration; or

(c) a judicial or quasi-judicial review in that Party's territory.

5. Subject to paragraph 8, each Party shall apply an advance ruling to importations into its territory of the good for which the ruling was requested, beginning on the date of its issuance or a later date specified in the ruling.

6. Each Party shall provide to a person requesting an advance ruling the same treatment, including the same interpretation and application of provisions of Chapter Three (Rules of Origin) regarding a determination of origin, as it provided to another person to whom it issued an advance ruling, provided that the facts and circumstances are identical in all material respects.

7. The issuing Party may modify or revoke an advance ruling:

(a) if the ruling is based on an error of fact;

(b) if there is a change in a material fact or circumstance on which the ruling is based;

(c) to conform with a modification of Chapter Two (National Treatment and Market Access for Goods), Chapter Three (Rules of Origin), this Chapter or any Uniform Regulations; or

(d) to conform with a judicial decision or a change in its domestic law.

8. Each Party shall provide that a modification or revocation of an advance ruling is effective on the date on which the modification or revocation is issued, or on a later date specified in that modification or revocation, and is not applied to importations of a good that have occurred prior to that date, unless the person to whom the advance ruling was issued has not acted in accordance with its terms and conditions.

9. Notwithstanding paragraph 8, the issuing Party shall postpone the effective date of that modification or revocation for no more than 90 days where the person to whom the advance ruling was issued demonstrates that it has relied in good faith to its detriment on that ruling.

10. Subject to paragraph 7, each Party shall provide that an advance ruling remains in effect and is honoured.

Section IV. Review and Appeal of Determinations of Origin and

Advance Rulings

Article 4.11. Review and Appeal

1. Each Party shall grant substantially the same rights of review and appeal of determinations of origin and advance rulings issued by its customs administration as it provides to an importer in its territory, to a person who:

(a) completes and signs a Certificate of Origin for a good that has been the subject of a determination of origin; or

(b) has received an advance ruling under Article 4.10(1). 2. Further to Articles 20.04 (Transparency - Administrative Proceedings) and 20.05 (Transparency - Review and Appeal), each Party shall provide that the rights of review and appeal referred to in paragraph 1 includes access to:

(a) at least one level of administrative review independent of the official or office responsible for the determination under review; and

(b) judicial or quasi-judicial review of the determination or decision taken at the final level of administrative review.

Section V. Uniform Regulations

Article 4.12. Uniform Regulations

1. The Parties may establish and implement, through their respective domestic law or administrative policy, by the date of entry into force of this Agreement, Uniform Regulations regarding the interpretation, application and administration of this Chapter.

2. Each Party shall implement a modification of or addition to the Uniform Regulations within a period that the Parties may decide.

Section VI. Cooperation

Article 4.13. Cooperation

1. The Parties shall cooperate, to the extent practicable, in jointly organizing training programs on customs-related issues, such as simulated audit environment exercises, for the officials and users who participate directly in customs procedures.

2. With respect to goods considered originating in accordance with Article 3.05 (Rules of Origin - Accumulation), the Parties may cooperate with a non-Party in developing customs procedures based on the principles of this Chapter.

Article 4.14. Customs Procedures Sub-Committee

1. The Parties hereby establish a Customs Procedures Sub-Committee comprising representatives of each Party. The Sub-Committee shall meet periodically at the request of a Party, and shall:

(a) endeavour to decide on:

(i) the uniform interpretation, application and administration of Articles 2.05 (National Treatment and Market Access for Goods - Temporary Admission of Goods), 2.06 (National Treatment and Market Access for Goods - Duty-Free Entry of Certain Commercial Samples and Printed Advertising Materials), and 2.07 (National Treatment and Market Access for Goods - Goods Re- Entered after Repair or Alteration), of Chapter Three (Rules of Origin), this Chapter and any Uniform Regulations,

(ii) tariff classification and valuation matters relating to determinations of origin,

(iii) equivalent procedures and criteria for the request, approval, modification, revocation and implementation of advance rulings,

(iv) revision of the Certificate of Origin,

(v) any other matter referred to it by a Party or the Committee on Trade in Goods and Rules of Origin established under Article 2.19 (National Treatment and Market Access for Goods - Consultations and Committee on Trade in Goods and Rules of Origin), and

(vi) any other customs-related matter arising under this Agreement;

(b) consider:

(i) the harmonization of customs-related automation requirements and documentation, and

(ii) proposed customs-related administrative or operational changes that may affect the flow of trade between the Parties' territories;

(c) report periodically to the Committee on Trade in Goods and Rules of Origin and notify it of any agreement reached under this paragraph; and

(d) refer to the Committee on Trade in Goods and Rules of Origin any matter on which it has been unable to reach a decision within 60 days of referral of the matter to it, under paragraph (a)(v).

2. Nothing in this Chapter prevents a Party from issuing a determination of origin or an advance ruling relating to a matter under consideration by the Customs Procedures Sub-Committee or the Committee on Trade in Goods and Rules of Origin or from taking other action that it considers necessary, pending a resolution of the matter under this Agreement.

Chapter Five. TRADE FACILITATION

Article 5.01. Objectives and Principles

1. With the objectives of facilitating trade under this Agreement and of cooperating to pursue trade facilitation initiatives on a multilateral basis, each Party shall administer its import and export procedures and measures for goods traded under this Agreement on the basis that, to the extent possible:

(a) procedures be efficient to reduce costs for importers and exporters and simplified where appropriate to achieve such efficiency;

(b) procedures be based on international trade instruments or international standards agreed upon by the Parties;

(c) entry procedures be transparent to ensure predictability for importers and exporters;

(d) measures to facilitate trade also support mechanisms to protect persons through effective enforcement of and compliance with national requirements;

(e) those procedures and the personnel involved in them comply with international standards of integrity;

(f) the development of significant modifications to procedures of a Party include, in advance of implementation, consultations with the representatives of the trading community of that Party; and

(g) procedures be based on risk management principles to focus compliance efforts on transactions that merit attention.

2. The Parties shall encourage cooperation, technical assistance and the exchange of information, including information on best practices, for the purpose of promoting the application of and compliance with the trade facilitation measures agreed upon under this Agreement and those agreed upon by the Parties under the auspices of the World Customs Organization or the World Trade Organization.

Article 5.02. Rights and Obligations

1. The Parties affirm their rights and obligations under Article VII (Fees and Formalities Connected with Importation and Exportation) and Article X (Publication and Administration of Trade Regulations) of the GATT 1994.

2. A Party shall promptly release an unrestricted, uncontrolled or non-regulated good. Subject to paragraph 3, each Party shall provide the option of releasing that good either:

(a) at the time of its presentation to the customs administration of the importing Party based on the submission of only the information required before the good arrives or at the time of arrival; for greater certainty, a Party, through its customs administration, may require the submission of more extensive information through post-entry accounting and verifications, as appropriate; or

(b) before or at the time of arrival of the good, based on the submission of all the information necessary to obtain a final accounting of the good.

3. The Parties recognize that, for certain goods, under certain circumstances, such as goods subject to a quota or to health-related or public safety requirements, a Party may require before releasing the goods the submission of more extensive information, before or at the time of arrival of the goods, to allow the competent authorities to examine the goods for release.

4. Each Party shall facilitate and simplify its procedures for the release of low-risk goods, and shall improve procedures on the release of high-risk goods. For these purposes, each Party shall base its examination and release procedures and its post-entry verification procedures on risk management principles, rather than examining every shipment offered for entry in a comprehensive manner for compliance with all import requirements. Nothing in this paragraph prevents a Party from conducting quality control and compliance reviews, which may require more extensive examinations.

5. Each Party shall ensure that the procedures of its competent authorities, whose requirements on the import or export of goods are maintained either by themselves or on their behalf by the Party's customs administration, are coordinated to facilitate trade. To this end, each Party shall take steps to harmonize the data requirements of its competent authorities, with the objective of allowing importers and exporters to present all required data to only one competent authority.

6. In its procedures for the clearance of express consignments, each Party shall apply, to the extent possible, the World Customs Organization's Guidelines for the Immediate Release of Consignments by Customs.

7. In accordance with its domestic law, each Party shall adopt or maintain simplified clearance procedures for the entry of a good that is low in value if the importing Party considers that the revenue associated with the import of that good is not significant.

8. The Parties shall endeavour to achieve common procedures and to simplify the information necessary for the release of goods, applying, when appropriate, existing international standards. With this objective, each Party shall set up a system for the electronic exchange of information between competent authorities and importers, exporters, their agents or their representatives, for the purpose of encouraging rapid release procedures. For the purpose of this Article, and without precluding the use of additional electronic data transmission standards, each Party shall, to the extent possible:

(a) use formats based on international standards for the electronic exchange of information; and

(b) take into account the World Customs Organization's Recommendations "Concerning the Use of UN/EDIFACT Rules for Electronic Data Interchange" and "Concerning the Use of Codes for the Representation of Data Elements".

9. Each Party shall establish means of consultation with its trade and business communities to promote greater cooperation and the exchange of electronic information.

10. Subject to Chapter Four (Customs Procedures), a Party, prior to importation, shall upon request issue a written ruling pertaining to tariff classification, applicable rate of customs duty or any other tax applicable upon importation except a surtax or surcharge.

That request may be made in writing by: (a) an importer in the Party's territory; (b) an exporter or producer in the territory of the other Party; or (c) a representative of a person in subparagraph (a) or (b).

11. Each Party shall adopt or maintain procedures for the issuance of rulings referred to in paragraph 10. A Party may, at any time, modify or revoke a ruling:

(a) without retroactive application after notification to the person that requested the ruling; or

(b) with retroactive application and without notification if inaccurate or false information was provided.

12. When a Party determines that a request for a ruling is incomplete, it may request additional information, including, if appropriate, a sample of the goods or materials in question from the person requesting the ruling. A Party shall issue a ruling within 120 days of receiving all the information it considers necessary to issue the ruling. A ruling shall be binding upon the competent authority that issued the ruling at the time the good is actually imported provided that the facts and circumstances that were the basis for the issuance of the ruling remain in effect.

13. Each Party shall ensure that:

(a) an administrative action or official decision taken in respect of the import or export of a good is reviewable promptly by a judicial, arbitral or administrative tribunal or through administrative procedures;

(b) the administrative tribunal or administrative procedures referred to in subparagraph (a) are:

(i) available before a person is required to seek redress before a judicial or arbitral tribunal, and

(ii) independent of the official or, where applicable, the office responsible for the original action or decision; and

(c) the tribunal or official acting under the administrative procedures referred to in subparagraph (a) is independent of the official or office issuing the decision and has the competence to maintain, modify or reverse the determination, in accordance with the domestic law of that Party.

14. Further to Article 20.02 (Transparency - Publication), each Party shall promptly publish or otherwise make available, including through electronic means, all its legislation, regulations, judicial decisions and administrative rulings or policies of general application relating to its requirements for imported or exported goods. Each Party shall also make available notices of an administrative nature, such as general agency requirements and entry procedures, hours of operation and contact for information enquiries.

15, Each Party shall, in accordance with its domestic law, treat as strictly confidential all business information obtained pursuant to this Chapter that is by its nature confidential or that is provided on a confidential basis.

Article 5.03. Cooperation

1. The Parties recognize that technical cooperation is fundamental to facilitating compliance with the obligations set forth in this Agreement and for reaching a better degree of trade facilitation.

2. The Parties agree to develop a technical cooperation program on customs-related matters on the basis of mutually decided terms relating to issues such as the scope, timing and cost of cooperative measures. Customs-related matters includes, among other matters:

(a) training;

(b) risk assessment;

(c) prevention and detection of contraband and illegal activities;

(d) implementation of the Customs Valuation Agreement;

(e) audit and verification frameworks;

(f) customs laboratories; and

(g) implementation of the World Customs Organization's Framework of Standards to Secure and Facilitate Global Trade, Pillar 1, Customs-to-Customs level.

3. The Parties shall cooperate:

(a) in the enforcement of their respective customs-related laws or

(b) regulations implementing this Agreement;

to the extent practicable and for purposes of facilitating the flow of trade between them, in such customs-related matters as the collection and exchange of statistics regarding the importation and exportation of goods, the harmonization of documentation used in trade and the standardization of data elements; and

(c) to the extent practicable, to exchange information to assist each other in the tariff classification of imported and exported goods.

Article 5.04. Future Work Program

1. With the objective of developing further steps to facilitate trade under this Agreement, the Parties establish the following work program:

(a) to develop the Cooperation Program referred to in Article 5.03 for the purpose of facilitating compliance with the obligations set forth in this Agreement; and

(b) as appropriate, to identify and submit for the consideration of the Commission new measures aimed at facilitating trade between the Parties, taking as a basis the objectives and principles set forth in Article 5.01 including, among other things:

(i) common processes,

(ii) general measures to facilitate trade,

(iii) official controls,

(iv) transportation,

(v) the promotion and use of standards,

(vi) the use of automated systems and Electronic Data Interchange (EDI),

(vii) the availability of information,

(viii) customs and other official procedures concerning the means of transportation and transportation equipment, including containers,

(ix) official requirements for imported goods,

(x) simplification of the information necessary for the release of goods,

(xi) customs clearance of exports,

(xii) transshipment of goods,

(xiii) goods in international transit,

(xiv) commercial practices, and

(xv) payment procedures.

2. The Parties may periodically review the work program referred to in paragraph 1 to decide on new cooperation actions and new measures that might be needed to promote application of the trade facilitation obligations and principles.

3. The Parties shall review relevant international initiatives on trade facilitation, including the Compendium of Trade Facilitation Recommendations, developed by the United Nations Conference on Trade and Development and the United Nations Economic Commission for Europe, to identify areas where further joint action would facilitate trade between the Parties and promote shared multilateral objectives.

Chapter Six. SANITARY AND PHYTOSANITARY MEASURES

Article 6.01. Relation to other Agreements

The SPS Agreement governs the rights and obligations of the Parties in respect of a sanitary or phytosanitary measure that may, directly or indirectly, affect trade between the Parties. The objective of this Chapter is to enhance the Parties' implementation of the SPS Agreement.

Article 6.02. SPS Issue Avoidance and Resolution

1. The Parties agree to work expeditiously to resolve a specific sanitary or phytosanitary trade-related issue. To that end, the Parties commit to undertake the necessary technical discussions, including an assessment of the scientific basis of the measures at issue.

2. At the request of either Party, the Parties shall meet in a timely manner to resolve a specific sanitary or phytosanitary trade-related matter. Unless the Parties decide otherwise, they shall meet within 45 days of the request, and if travel is required the Party requesting the meeting shall travel to the territory of the other Party.

Article 6.03. SPS Coordinators

1. Each Party shall designate a SPS Coordinator to facilitate communication on sanitary or phytosanitary trade-related matters and shall notify the other Party of its SPS Coordinator through the Coordinators.

2. The functions of the SPS Coordinators include:

(a) communications relating to sanitary and phytosanitary issue avoidance and resolution, including consultations related to the development and application of a sanitary or phytosanitary measure that affects or may affect trade between the

Parties;

(b) consultation, as required, in coordination with the Contact Points established under Chapter Nineteen (Trade-Related Cooperation), on technical and institutional co-operation activities to resolve a specific issue related to a sanitary or phytosanitary measure that affects or may affect trade between the Parties;

(c) the promotion of enhanced transparency of sanitary and phytosanitary measures; and

(d) the promotion, as desirable, of bilateral consultations on a sanitary or phytosanitary issue under discussion in a multilateral or international forum such as the WTO Committee on Sanitary and Phytosanitary Measures, the Committees of the Codex Alimentarius Commission, the International Plant Protection Convention (IPPC), the World Organisation for Animal Health (OIE), or other international and regional fora on food safety, human, animal and plant health.

3. In order to facilitate the resolution of a sanitary or phytosanitary trade-related issue or to facilitate the fulfillment of the functions of the SPS Coordinators, the Parties may convene an ad hoc technical working group comprising officials from governmental institutions with responsibility for sanitary and phytosanitary measures on that issue.

4. The Parties agree to carry out their work under this Chapter, to the extent possible, through the use of any technological means available, for example via teleconference or videoconference, and opportunities that may arise at international fora.

5. In the event that the Parties are unable to resolve an issue expeditiously under this Chapter, the SPS Coordinators, upon request of a Party, shall report promptly to the Commission on the matter, in accordance with Article 21.01(2) (Administration of the Agreement - Joint Commission).

Chapter Seven. TECHNICAL BARRIERS TO TRADE

Article 7.01. Definitions

For purposes of this Chapter:

TBT Agreement means the WTO Agreement on Technical Barriers to Trade; and

TBT Committee means the WTO Committee on Technical Barriers to Trade.

Article 7.02. WTO Agreement on Technical Barriers to Trade

The Parties affirm with respect to each other their existing rights and obligations under the TBT Agreement.

Article 7.03. Scope

1. This Chapter applies to the preparation, adoption and application of standards, technical regulations and conformity assessment procedures of national governmental bodies that may affect the trade in goods between the Parties.

2. This Chapter does not apply to:

(a) a purchasing specification prepared by a governmental body for production or consumption requirements of a governmental body; or

(b) a sanitary or phytosanitary measure as defined in Annex A of the SPS Agreement.

Article 7.04. Joint Cooperation

1. The Parties shall strengthen their joint cooperation in the areas of standards, technical regulations, accreditation, conformity assessment procedures and metrology in order to facilitate trade between the Parties.

2. Further to paragraph 1, the Parties shall seek to identify, develop and promote bilateral initiatives regarding standards, technical regulations, accreditation, conformity assessment procedures and metrology that are appropriate for particular issues or sectors.

Such initiatives may include:

(a) regulatory or technical cooperation programs directed at reaching effective and full compliance with the obligations of this Chapter and the TBT Agreement;

(b) initiatives to develop common views on good regulatory practices, such as transparency and the use of equivalency and regulatory impact assessment; and

(c) the use of mechanisms to facilitate the acceptance of the results of conformity assessment procedures conducted in the other Party's territory.

3. A Party shall give positive consideration to a reasonable sector-specific proposal made by the other Party for further cooperation under this Chapter.

Article 7.05. International Standards

1. The Parties shall use relevant international standards, guides and recommendations as a basis for their technical regulations and conformity assessment procedures in accordance with Articles 2.4 and 5.4 of the TBT Agreement.

2. In determining whether an international standard, guide or recommendation exists within the meaning of Articles 2 or 5 or Annex 3 of the TBT Agreement, each Party shall consider the principles set out: in the Decisions and Recommendations adopted by the WTO Committee on Technical Barriers to Trade since 1 January 1995, G/TBT/1/Rev.9, 8 September 2008, Annex B, or a successor document, issued by the TBT Committee.

Article 7.06. Transparency

1. The obligations in this Article supplement those set out in Chapter Twenty (Transparency). In the event of an inconsistency between this Article and the obligations in Chapter Twenty, this Article prevails.

2. Each Party shall ensure that transparency procedures for the development of technical regulations and conformity assessment procedures allow an interested person to participate at an early appropriate stage, when amendments can still be introduced and comments taken into account, except where urgent problems of safety, health, environmental protection or national security arise or threaten to arise. Where a consultation process for the development of technical regulations and conformity assessment procedures is open to the public, each Party shall permit a person of the other Party to participate on terms no less favourable than those accorded to its own persons.

3. Each Party shall recommend to standardization bodies in its territory that they observe paragraph 2 with respect to their consultation processes for the development of a standard or voluntary conformity assessment procedure.

4. Each Party shall allow a period of at least 60 days following its notification to the WTO's Central Registry of Notifications of proposed technical regulations and conformity assessment procedures for the public and the other Party to provide written comments, except where urgent problems arise, or threaten to arise, regarding safety, health, environmental protection or national security.

5. Each Party, at the request of the other Party, shall provide information regarding the objectives of, and rationale for, a technical regulation or conformity assessment procedure that the Party has adopted or is proposing to adopt.

6. Where a Party does not accept a technical regulation of the other Party as equivalent to its own, it shall explain its decision at the request of the other Party. The Parties recognize that it may be necessary to develop common views, methods and procedures to facilitate the use of equivalency.

7. Where a Party does not accept the results of a conformity assessment procedure conducted in the territory the other Party, it shall explain the reasons for its decision at the request of the other Party.

8. The Parties shall ensure that all adopted technical regulations and conformity assessment procedures are available on official websites that are publicly available without charge.

9. If a Party detains a good imported from the territory of the other Party at a port of entry on the basis that the good may not comply with a technical regulation, it shall immediately notify the importer of the reasons for the detention of the good.

Article 7.07. Contact Points

1. The Contact Points designated in Annex 7.07 are responsible for communications related to matters arising under this Chapter. Those communications include:

(a) the implementation and administration of this Chapter;

(b) issues related to the development, adoption or application of standards, technical regulations or conformity assessment

procedures under this Chapter or the TBT Agreement;

(c) the exchange of information on standards, technical regulations or conformity assessment procedures; and

(d) joint cooperation by the Parties, pursuant to Article 7.04.

2. A Contact Point is responsible for ensuring communication with the relevant institutions and persons in its territory as necessary to carry out its function. The Contact Points may communicate by electronic mail, video-conferencing or other means on which the Parties decide.

Chapter Eight. EMERGENCY ACTION

Article 8.01. Definitions

For purposes of this Chapter:

Agreement on Safeguards means the WTO Agreement on Safeguards;

competent investigating authority means:

(a) in the case of Canada, the Canadian International Trade Tribunal, or its successor notified to the other Party through diplomatic channels; and

(b) in the case of Panama, the Directorate-General of Trade Defence, or its

successor notified to the other Party through diplomatic channels; domestic industry means, with respect to an imported good, the producers as a whole of the like or directly competitive good operating in the territory of a Party or those whose collective production of the like or directly competitive good constitutes a major proportion of the total domestic production of such good; emergency action means an emergency action described in Article 8.03;

serious injury means a significant overall impairment of a domestic industry;

substantial cause means a cause that is important and not less important than any other cause;

threat of serious injury means serious injury that is clearly imminent based on facts and not based on allegation, conjecture or remote possibility; and

transition period means the 10-year period beginning on the entry into force of this Agreement, except where the tariff elimination for the good against which the action is taken occurs over a longer period of time, in which case the transition period is the period of the staged tariff elimination for that good.

Article 8.02. Global Safeguard Measures

1. Each Party retains its rights and obligations under Article XIX of the GATT 1994 and the Agreement on Safeguards, which shall exclusively govern global safeguard actions, including the resolution of a dispute in respect thereof.

2. This Agreement does not confer additional rights or obligations on the Parties with regard to actions taken pursuant to Article XIX of the GATT 1994 and the Agreement on Safeguards, except that a Party taking a global safeguard measure may exclude imports of an originating good of the other Party if the competent investigating authority of that Party concludes that those imports are not a substantial cause of serious injury or threat thereof.

3. A Party may not adopt or maintain with respect to the same good at the same time:

(a) an emergency action; and

(b) a measure pursuant to Article XIX of the GATT 1994 and the Agreement on Safeguards.

Article 8.03. Bilateral Emergency Actions

1. A Party may adopt an emergency action described in paragraph 2:

(a) only during the transition period; and

(b) if as a result of the reduction or elimination of a duty pursuant to this Agreement an originating good is being imported

into the Party's territory in such increased quantities, in absolute terms or relative to domestic production, and under such conditions as to constitute a substantial cause of serious injury, or threat thereof, to a domestic industry producing a like or directly competitive good.

2. If the conditions set out in paragraph 1 and Articles 8.04 and 8.05 are met, a Party may to the extent necessary to prevent or remedy serious injury, or threat thereof, and to facilitate adjustment:

(a) suspend the further reduction of a rate of duty provided for under this Agreement on the good; or

(b) increase the rate of duty on the good to a level not exceeding the lesser of:

(i) the most-favoured-nation (MFN) rate of duty in effect at the time the emergency action is taken, and

(iii) the base rate of duty as provided in the schedule to Annex 2.04 (National Treatment and Market Access for Goods - Tariff Elimination).

Article 8.04. Notification and Discussions

1. A Party shall, in writing, promptly notify and invite for discussions the other Party in connection with:

(a) initiating an emergency action proceeding;

(b) making a finding of serious injury, or threat thereof, under the conditions set out in Article 8.03(1); and

(c) applying an emergency action.

2. A Party shall without delay, provide to the other Party a copy of the public version of any notice or any report by a competent investigating authority issued in connection with matters notified pursuant to paragraph 1.

3. If a Party accepts an invitation for discussions made pursuant to paragraph 1, the Parties shall enter into discussions to review the notification under paragraph 1 or the public version of a document issued by a competent investigating authority in connection with the emergency action proceeding.

4. An emergency action shall be initiated no later than 1 year after the date the proceeding is instituted.

Article 8.05. Standards for Emergency Actions

1. A Party may not maintain an emergency action:

(a) for a period exceeding 3 years, including any extension; or

(b) beyond the expiration of the transition period.

2. A Party may not apply an emergency action against a good more than once.

3. On the termination of an emergency action, a Party shall set the rate of duty at the rate that would have been in effect but for the action according to the Party's Schedule to Annex 2.04 (National Treatment and Market Access for Goods - Tariff Elimination) for the staged elimination of the tariff.

4. A Party may take an emergency action under Article 8.03 after the expiration of the transition period to deal with cases of serious injury, or threat thereof, to a domestic industry arising from the operation of this Agreement only with the consent of the other Party.

5. A Party taking an emergency action under Article 8.03 shall provide to the exporting Party mutually accepted trade liberalizing compensation in the form of concessions with substantially equivalent trade effects or equivalent to the value of the additional duties expected to result from the action. If the Parties are unable to decide on compensation, the Party whose goods are subject to the action may take tariff action with trade effects substantially equivalent to the emergency action taken under Article 8.03. The Party taking the tariff action shall apply the action only for the minimum period necessary to achieve the substantially equivalent effects and, in any event, only while the emergency action under Article 8.03 is in effect.

Article 8.06. Administration of Emergency Action Proceedings

1. Each Party shall ensure the consistent, impartial and reasonable administration of its laws, regulations, decisions and

rulings governing emergency action proceedings.

2. Each Party shall entrust determinations of serious injury, or threat thereof, in an emergency action proceeding to a competent investigating authority. Each Party shall:

(a) ensure that those determinations are subject to review by judicial or administrative tribunals, to the extent provided by domestic law;

(b) ensure that negative injury determinations are not modified, except through a review referred to in subparagraph (a); and

(c) provide its competent investigating authority with the necessary resources to enable it to fulfill its duties.

3. Each Party shall adopt or maintain equitable, timely, transparent and effective procedures for emergency action proceedings in accordance with the requirements set out in paragraph 4.

4. A Party shall apply an emergency action only following an investigation by the Party's competent investigating authority in accordance with Articles 3 and 4.2 of the Agreement on Safeguards. To this end, Articles 3 and 4.2 of the Agreement on Safeguards are incorporated into and made part of this Agreement.

Chapter Nine. Investment

Section A. Definitions

Article 9.01. Definitions

For purposes of this Chapter:

confidential information means confidential business information or information that is privileged or otherwise protected from disclosure;

covered investment means, with respect to a Party, an investment in its territory of an investor of the other Party existing on the date of entry into force of this Chapter, or investments made or acquired thereafter;

disputing investor means an investor that makes a claim under Section C;

disputing Party means a Party against which a claim is made under Section C;

disputing party means the disputing investor or the disputing Party;

enterprise means an enterprise as defined in Article 1.01 (Initial Provisions and General Definitions - Definitions of General Application) and a branch of any such entity;

ICSID Additional Facility Rules means the Rules Governing the Additional Facility for the Administration of Proceedings by the Secretariat of the International Centre for Settlement of Investment Disputes;

ICSID Convention means the Convention on the Settlement of Investment Disputes between States and Nationals of Other States, done at Washington on 18 March 1965;

intellectual property rights means copyright and related rights, trademark rights, rights in geographical indications, rights in industrial designs, patent rights, rights in layout designs of integrated circuits, rights in relation to protection of undisclosed information and plant breeders' rights;

investment means:

(a) an enterprise;

(b) a share, stock and other form of equity participation in an enterprise;

(c) a bond, debenture, and other debt instrument of an enterprise;

(d) a loan to an enterprise;

(e) an interest in an enterprise that entitles the owner to a share in income or profits of the enterprise;

(f) an interest in an enterprise that entitles the owner to a share in the assets of that enterprise on dissolution;

(g) interests arising from the commitment of capital or other resources in the territory of a Party to economic activity in that territory, such as under:

(i) a contract involving the presence of an investor's property in the territory of the Party, including a turnkey or construction contract, or a concession, or

(ii) a contract where remuneration depends substantially on the production, revenues or profits of an enterprise;

(h) intellectual property rights; and

(i) any other tangible or intangible, movable or immovable, property and related property rights acquired in the expectation or used for the purpose of economic benefit or other business purpose;

but investment does not mean:

(j) a claim to money that arises solely from:

(i) a commercial contract for the sale of a good or service by a national or enterprise in the territory of a Party to an enterprise in the territory of the other Party, or

(ii) the extension of credit in connection with a commercial transaction, such as trade financing, other than a loan covered by subparagraph (d); or

(k) any other claim to money,

that does not involve the kinds of interests set out in subparagraphs (a) to (i);

investment of an investor of a Party means an investment owned or controlled directly or indirectly by an investor of that Party;

investor of a non-Party means an investor other than an investor of a Party, that seeks to make, is making, or has made, an investment; for greater certainty, an investor "seeks to make an investment" only when the investor has taken concrete steps necessary to make the investment, such as when the investor has made an application for a permit or license authorizing the establishment of an investment;

investor of a Party means a Party or state enterprise, or a national or an enterprise of a Party, that seeks to make, is making, or has made, an investment; for greater certainty, an investor "seeks to make an investment" only when the investor has taken concrete steps necessary to make the investment, such as when the investor has made an application for a permit or license authorizing the establishment of an investment;

non-disputing Party means the Party that is not a party to an investment dispute;

Secretary-General means the Secretary-General of ICSID; and

UNCITRAL Arbitration Rules means the arbitration rules of the United Nations Commission on International Trade Law.

Section B. Investment

Article 9.02. Scope of Application

1. This Chapter applies to measures adopted or maintained by a Party relating to:

(a) an investor of the other Party;

(b) a covered investment; and

(c) with respect to Articles 9.07, 9.16 and 9.17, an investment in its territory.

2. This Chapter does not apply to an act or fact that took place or a situation that ceased to exist before the date of entry into force of this Agreement.

Article 9.03. Relation to other Chapters

1. In the event of an inconsistency between this Chapter and another Chapter, the other Chapter prevails.

2. A requirement by a Party that a service provider of the other Party post a bond or other form of financial security as a condition of providing a service to its territory does not of itself make this Chapter applicable to that cross-border service. This Chapter applies to that Party's treatment of the posted bond or financial security if the bond or financial security is a covered investment.

3. This Chapter does not apply to a measure adopted or maintained by a Party to the extent that the measure is covered by Chapter Twelve (Financial Services).

4, Articles 10.05 (Cross-Border Trade in Services - Market Access) and 10.08 (Cross-Border Trade in Services - Domestic Regulation) are incorporated into and made a part of this Chapter and apply to a measure adopted or maintained by a Party when that measure affects the supply of a service in its territory by a covered investment.

5. A reservation taken by a Party under Article 10.07 (Cross-Border Trade in Services - Reservations) against Article 10.05 (Cross-Border Trade in Services - Market Access) applies to a measure of that Party covered under paragraph 4.

Article 9.04. National Treatment

1. Each Party shall accord to an investor of the other Party treatment no less favourable than that it accords, in like circumstances, to its own investors with respect to the establishment, acquisition, expansion, management, conduct, operation and sale or other disposition of an investment in its territory.

2. Each Party shall accord to a covered investment treatment no less favourable than that it accords, in like circumstances, to investments of its own investors with respect to the establishment, acquisition, expansion, management, conduct, operation and sale or other disposition of an investment in its territory.

3. The treatment accorded by a Party under paragraphs 1 and 2 means, with respect to a sub-national government, treatment no less favourable than the treatment accorded in like circumstances by that sub-national government to investors and to investments of investors of the Party of which it forms a part.

Article 9.05. Most-Favoured-Nation Treatment

1. Each Party shall accord to an investor of the other Party treatment no less favourable than that it accords, in like circumstances, to investors of a non-Party with respect to the establishment, acquisition, expansion, management, conduct, operation and sale or other disposition of an investment in its territory.

2. Each Party shall accord to a covered investment treatment no less favourable than that it accords in like circumstances to investments of investors of a non-Party with respect to the establishment, acquisition, expansion, management, conduct, operation and sale or other disposition of an investment in its territory.

3. For greater certainty, the treatment accorded by a Party under this Article means, with respect to a sub-national government, treatment accorded, in like circumstances, by that sub-national government to investors, and to investments of investors, of a non- Party.

Article 9.06. Minimum Standard of Treatment

1. Each Party shall accord to a covered investment treatment in accordance with the customary international law minimum standard of treatment of aliens, including fair and equitable treatment and full protection and security.

2. The concepts of "fair and equitable treatment" and "full protection and security" in paragraph 1 do not require treatment in addition to or beyond that which is required by the customary international law minimum standard of treatment of aliens.

3. A breach of another provision of this Agreement, or of a separate international agreement, does not establish that there has been a breach of this Article.

Article 9.07. Performance Requirements

1. A Party may not impose or enforce the following requirements, or enforce a commitment or undertaking, in connection with the establishment, acquisition, expansion, management, conduct or operation of an investment of an investor of a Party or a non-Party in its territory:

(a) to export a given level or percentage of a good or service;

(b) to achieve a given level or percentage of domestic content;

(c) to purchase, use or accord a preference to a good produced or service provided in its territory, or to purchase a good or service from a person in its territory;

(d) to relate the volume or value of imports to the volume or value of exports or to the amount of foreign exchange inflows associated with that investment;

(e) to restrict sales of a good or service in its territory that the investment produces or provides by relating those sales in any way to the volume or value of its exports or foreign exchange earnings;

(f) to transfer technology, a production process or other proprietary knowledge to a person in its territory; or

(g) to supply exclusively from the territory of the Party a good that such investment produces or a service it provides to a specific regional market or to the world market.

2. A measure that requires an investment to use a technology to meet generally applicable health, safety or environmental requirements is not inconsistent with paragraph 1(f). For greater certainty, Articles 9.04 and 9.05 apply to that measure.

3. A Party may not condition the receipt or continued receipt of an advantage, in connection with an investment in its territory of an investor of a Party or of a non-Party, on compliance with the following requirements:

(a) to achieve a given level or percentage of domestic content;

(b) to purchase, use or accord a preference to a good produced in its territory, or to purchase a good from a producer in its territory;

(c) to relate the volume or value of imports to the volume or value of exports or to the amount of foreign exchange inflows associated with such investment; or

(d) to restrict sales of a good or service in its territory that such investment produces or provides by relating those sales in any way to the volume or value of its exports or foreign exchange earnings.

4. Paragraph 3 does not prevent a Party from conditioning the receipt or continued receipt of an advantage in connection with an investment in its territory of an investor of a Party or of a non-Party, on compliance with a requirement to locate production, provide a service, train or employ workers, construct or expand particular facilities, or carry out research and development, in its territory.

5. Paragraph 1(f) does not apply if the requirement is imposed or the commitment or undertaking is enforced by a court, administrative tribunal or competition authority to remedy an alleged violation of domestic competition law.

6. Paragraphs 1 and 3 do not apply to a requirement other than the requirements set out in those paragraphs.

7. This Article does not preclude enforcement of a commitment, undertaking or requirement between private parties.

8. The provisions of:

(a) paragraphs 1(a), (b) and (c), and 3(a) and (b) do not apply to a qualification requirement for a good or service with respect to export promotion and foreign aid programs;

(b) paragraphs 1(b), (c), (f) and (g), and 3(a) and (b) do not apply to procurement by a Party or a state enterprise; and

(c) paragraphs 3(a) and (b) do not apply to a requirement imposed by an importing Party relating to the content of a good necessary to qualify for a preferential tariff or preferential quota.

Article 9.08. Senior Management and Boards of Directors

1. A Party may not require that an enterprise of that Party that is a covered investment appoint individuals of any particular nationality to senior management positions.

2. A Party may require that a majority of the board of directors, or a committee thereof, of an enterprise that is a covered investment be of a particular nationality or resident in the territory of the Party, provided that the requirement does not materially impair the ability of the investor to exercise control over its investment.

Article 9.09. Reservations and Exceptions

1. Articles 9.04, 9.05, 9.07 and 9.08 do not apply to:

(a) an existing non-conforming measure maintained by:

(i) the national government of a Party as set out in its Schedule to Annex I, or

(ii) a sub-national government of a Party;

(b) the continuation or prompt renewal of a non-conforming measure referred to in subparagraph (a); or

(c) an amendment to a non-conforming measure referred to in subparagraph (a) to the extent that the amendment does not decrease the conformity of the measure, as it existed immediately before the amendment, with Articles 9.04, 9.05, 9.07 and 9.08.

2. Articles 9.04, 9.05, 9.07 and 9.08 do not apply to a measure that a Party adopts or maintains with respect to sectors, subsectors or activities, as set out in its Schedule to Annex II.

3. Article 9.05 does not apply to treatment accorded by a Party under an agreement, or regarding a sector, set out in its Schedule to Annex II.

4. Regarding intellectual property rights, a Party may derogate from Articles 9.04, 9.05 and Article 9.07(1)(f) in a manner that is consistent with the TRIPS Agreement and waivers to the TRIPS Agreement adopted under Article IX of the WTO Agreement.

5. Articles 9.04, 9.05 and 9.08 do not apply to:

(a) procurement by a Party or a state enterprise; or

(b) a subsidy or grant provided by a Party or a state enterprise, including a government-supported loan, guarantee or insurance.

Article 9.10. Transfers

1. Each Party shall permit transfers relating to a covered investment to be made freely and without delay, into and out of its territory. Those transfers include:

(a) contributions to capital;

(b) profits, dividends, interest, capital gains, royalty payments, management fees, technical assistance and other fees, returns in kind and other amounts derived from the investment;

(c) proceeds from the sale of all or any part of the covered investment or from the partial or complete liquidation of the covered investment;

(d) payments made under a contract entered into by the investor, or the covered investment, including payments made pursuant to a loan agreement;

(e) payments made under Articles 9.11 and 9.12; and

(f) payments arising under Section C.

2. Each Party shall permit transfers relating to a covered investment to be made in the convertible currency in which the capital was originally invested, or in another convertible currency agreed to by the investor and the Party concerned. Unless otherwise agreed by the investor, transfers shall be made at the market rate of exchange in effect on the date of transfer.

3. Notwithstanding paragraphs 1 and 2, a Party may prevent a transfer through the equitable, non-discriminatory and good faith application of its domestic law relating to:

(a) bankruptcy, insolvency or the protection of the rights of a creditor;

(b) issuing, trading or dealing in securities, futures, options or derivatives;

(c) a criminal or penal offence;

(d) financial reporting or record keeping of transfers when necessary to assist law enforcement or financial regulatory authorities; or

(e) ensuring compliance with an order or judgment in judicial or administrative proceedings.

4. A Party may not require one of its investors to transfer, or penalize one of its investors for failure to transfer, the income, earnings, profits or other amounts derived from, or attributable to, an investment in the territory of the other Party.

5. Paragraph 4 does not prevent a Party from imposing a measure through the equitable, non-discriminatory and good faith application of its domestic law relating to the matters in paragraphs 3(a) through (e).

6. Notwithstanding paragraph 1, a Party may restrict transfers of returns in kind in circumstances where it could otherwise restrict transfers under Article XI of the GATT 1994.

Article 9.11. Expropriation

1. A Party may not nationalize or expropriate a covered investment either directly or indirectly through a measure having an effect equivalent to nationalization or expropriation ("expropriation") except for a public purpose, in accordance with due process of law, in a non-discriminatory manner and on payment of prompt, adequate and effective compensation. For greater certainty, this paragraph shall be interpreted consistent with Annex 9.11.

2. The compensation referred to in paragraph 1 must be equivalent to the fair market value of the expropriated investment immediately before the expropriation took place ("date of expropriation"), and shall not reflect any change in value occurring because the intended expropriation had become known earlier. Valuation criteria shall include going concern value, asset value including declared tax value of tangible property, and other criteria, as appropriate, to determine fair market value.

3. Compensation shall be paid without delay and shall be fully realizable and freely transferable. Compensation shall be paid in a freely convertible currency and shall include interest at a commercially reasonable rate for that currency from the date of expropriation until date of payment.

4. The investor affected shall have a right under the law of the expropriating Party to prompt review of its case and of the valuation of its investment by a judicial or other independent authority of that Party under the principles set out in this Article.

5. This Article does not apply to the issuance of a compulsory license granted in relation to intellectual property rights, or to the revocation, limitation or creation of an intellectual property right, to the extent that such issuance, revocation, limitation or creation is consistent with the WTO Agreement.

Article 9.12. Compensation for Losses

Notwithstanding Article 9.09(5)(b), each Party shall accord to an investor of the other Party, and to a covered investment, non-discriminatory treatment with respect to a measure it adopts or maintains relating to losses suffered by investments in its territory owing to armed conflict or civil strife.

Article 9.13. Transparency

1. Further to Article 20.02 (Transparency - Publication), each Party shall ensure that its laws, regulations, procedures, and administrative rulings of general application respecting a matter covered by this Chapter are promptly published or otherwise made available in such a manner as to enable interested persons and the other Party to become acquainted with them.

2. To the extent possible, each Party shall:

(a) publish in advance any such measure that it proposes to adopt; and

(b) provide interested persons and the other Party a reasonable opportunity to comment on that proposed measure.

3. Upon request by a Party, the other Party shall provide information on a measure that may have an impact on a covered investment.

Article 9.14. Subrogation

1. If a Party or an agency of a Party makes a payment to one of its investors under a guarantee or a contract of insurance it has entered into in respect of an investment, the other Party shall recognize the validity of the subrogation in favour of that

Party or agency to a right or title held by the investor. The subrogated right or claim may not be greater than the original right or claim of the investor.

2. A Party or an agency of a Party that is subrogated to a right of an investor in accordance with paragraph 1 is entitled to the same rights as those of the investor regarding the investment. These rights may be exercised by the Party or an agency of the Party, or by the investor if the Party or its agency so authorizes.

Article 9.15. Denial of Benefits

1. A Party may deny the benefits of this Chapter to an investor of the other Party that is an enterprise of that Party and to investments of that investor if investors of a non-Party own or control the enterprise and the denying Party adopts or maintains a measure with respect to the non-Party that prohibits transactions with the enterprise or that would be violated or circumvented if the benefits of this Chapter were accorded to the enterprise or to its investments.

2. A Party may deny the benefits of this Chapter to an investor of the other Party that is an enterprise of that Party and to investments of that investor if investors of a non-Party own or control the enterprise and the enterprise has no substantial business activities in the territory of the Party under whose domestic law it is constituted or organized.

Article 9.16. Health, Safety and Environmental Measures

The Parties recognize that it is inappropriate to encourage investment by relaxing domestic health, safety or environmental measures. Accordingly, a Party should not waive or otherwise derogate from, or offer to waive or otherwise derogate from, such measures to encourage the establishment, acquisition, expansion or retention in its territory of an investment of an investor. If a Party considers that the other Party has offered such an encouragement, it may request discussions with the other Party and the two Parties shall enter discussions with a view to avoiding any such encouragement.

Article 9.17. Corporate Social Responsibility

Each Party should encourage enterprises operating within its territory or subject to its jurisdiction to voluntarily incorporate internationally recognized standards of corporate social responsibility in their internal policies, such as those statements of principle that have been endorsed or are supported by the Parties. These principles address issues such as labour, the environment, human rights, community relations and anti-corruption.

Article 9.18. Special Formalities and Information Requirements

1. Article 9.04 does not prevent a Party from adopting or maintaining a measure that prescribes special formalities in connection with the establishment of a covered investment, such as a requirement that an agent of an investor be a resident of the Party or that a covered investment be legally constituted under the laws or regulations of the Party, provided that those formalities do not materially impair the protections afforded by a Party to investors of the other Party and covered investments under this Chapter.

2. Notwithstanding Article 9.04 or 9.05, a Party may require an investor of the other Party, or its covered investment, to provide routine information concerning that investment solely for informational or statistical purposes. The Party shall protect any confidential information from disclosure that would prejudice the competitive position of the investor or the covered investment. This paragraph does not prevent a Party from otherwise obtaining or disclosing information in connection with the equitable and good faith application of its law.

Section C. Settlement of Disputes between an Investor and the Host Party

Article 9.19. Purpose

Without prejudice to the rights and obligations of the Parties under Chapter Twenty-Two (Dispute Settlement), this Section establishes a mechanism for the settlement of investment disputes.

Article 9.20. Claim by an Investor of a Party on Its Own Behalf

An investor of a Party may submit to arbitration under this Section a claim that the other Party has breached:

(a) an obligation under Section B, other than an obligation under Article 9.03(4), 9.13, 9.16, 9.17 or 9.18,

(b) an obligation under Article 14.03(3)(a) (Competition Policy, Monopolies and State Enterprises - Designated Monopolies) or Article 14.04(2) (Competition Policy, Monopolies and State Enterprises - State Enterprises), only to the extent that the monopoly or state enterprise has acted in a manner inconsistent with an obligation under Section B, other than an obligation under Article 9.13, 9.16, 9.17 or 9.18, or

(c) an agreement referred to in Article 23.04(9)(a) (Exceptions - Taxation),

and that the investor has incurred loss or damage by reason of, or arising out of, that breach.

Article 9.21. Claim by an Investor of a Party on Behalf of an Enterprise

1. An investor of a Party, on behalf of an enterprise of the other Party that is a juridical person that the investor owns or controls directly or indirectly, may submit to arbitration under this Section a claim that the other Party has breached:

(a) an obligation under Section B, other than an obligation under Article 9.03(4), 9.13, 9.16, 9.17 or 9.18,

(b) an obligation under Article 14.03(3)(a) (Competition Policy, Monopolies and State Enterprises - Designated Monopolies), or Article 14.04(2) (Competition Policy, Monopolies and State Enterprises - State Enterprises), only to the extent that the monopoly or state enterprise has acted in a manner inconsistent with an obligation under Section B, other than an obligation under Article 9.13, 9.16, 9.17 or 9.18, or

(c) an agreement referred to in Article 23.04(9)(b) (Exceptions - Taxation), and that the enterprise has incurred loss or damage by reason of that breach.

2. Where an investor makes a claim under this Article and the investor or a non- controlling investor in the enterprise makes a claim under Article 9.20 arising out of the same events that gave rise to the claim under this Article, and two or more of the claims are submitted to arbitration under Article 9.23, the claims should be heard together by a Tribunal established under Article 9.27, unless the Tribunal finds that the interests of a disputing party would be prejudiced as a result.

3. An investment may not make a claim under this Section.

Article 9.22. Conditions Precedent to Submission of a Claim to Arbitration

1. The disputing parties shall hold consultations and attempt to settle a claim amicably before a disputing investor may submit a claim to arbitration. Consultations shall be held within 30 days of the submission of the notice of intent to submit a claim to arbitration, unless the disputing parties otherwise agree. The place of consultation shall be the capital of the disputing Party, unless the disputing parties otherwise agree.

2. A disputing investor may submit a claim to arbitration under Article 9.20 or Article 9.21 only if:

(a) the disputing investor and, where a claim is made under Article 9.21, the enterprise consent to arbitration in accordance with the procedures set out in this Chapter;

(b) at least six months have elapsed since the events giving rise to the claim;

(c) the disputing investor has delivered to the disputing Party written notice of its intent to submit a claim to arbitration at least 90 days prior to submitting the claim, which notice shall specify:

(i) the name and address of the disputing investor and, where a claim is made under Article 9.21, the name and address of the enterprise,

(ii) the provisions of this Agreement alleged to have been breached and any other relevant provisions,

(iii) the legal and the factual basis for the claim, including the measures at issue, and

(iv) the relief sought and the approximate amount of damages claimed;

(d) the disputing investor has delivered evidence establishing that it is an investor of the other Party with its notice of intent to submit a claim to arbitration under subparagraph (c);

(e) in the case of a claim submitted under Article 9.20:

(i) not more than three years have elapsed from the date on which the disputing investor first acquired, or should have first

acquired, knowledge of the alleged breach and knowledge that the disputing investor has incurred loss or damage thereby,

(ii) the disputing investor waives its right to initiate or continue before an administrative tribunal or court under the domestic law of a Party, or other dispute settlement procedures, proceedings with respect to the measure of the disputing Party that is alleged to be a breach referred to in Article 9.20, and

(iii) if the claim is for loss or damage to an interest in an enterprise of the other Party that is a juridical person that the disputing investor owns or controls directly or indirectly, the enterprise waives the right referred to in subparagraph (ii); and

(f) in the case of a claim submitted under Article 9.21:

(i) not more than three years have elapsed from the date on which the enterprise first acquired, or should have first acquired, knowledge of the alleged breach and knowledge that the enterprise has incurred loss or damage thereby, and

(ii) both the disputing investor and the enterprise waive their rights to initiate or continue before an administrative tribunal or court under the domestic law of a Party, or other dispute settlement procedures, a proceeding with respect to the measure of the disputing Party that is alleged to be a breach under Article 9.21.

3. Paragraphs 2(e)(ii) and (iii) and 2(f)(ii):

(a) do not apply to proceedings before a judicial or administrative tribunal or court under the domestic law of the disputing Party that:

(i) are for interim injunctive, declaratory or other extraordinary relief,

(ii) do not involve the payment of monetary damages, and

(iii) are brought for the sole purpose of preserving the claimant's or the enterprise's rights and interests while the arbitration is pending;

and

(b) do not require a waiver from an enterprise if a disputing Party has deprived the investor of control of an enterprise.

4. The disputing enterprise or investor shall deliver the consent and waiver required under paragraph 2 to the disputing Party and shall include them in the submission of a claim to arbitration.

5. An investor may submit a claim relating to taxation measures covered by this Agreement to arbitration under this Section only if the taxation authorities of the Parties fail to reach the joint determinations specified in Article 23.04 (Exceptions - Taxation) within six months of being notified in accordance with those provisions.

Article 9.23. Submission of a Claim to Arbitration

1. A disputing investor who meets the conditions precedent in Article 9.22 may submit the claim to arbitration under:

(a) the ICSID Convention, provided that both Parties are party to the Convention;

(b) the Additional Facility Rules of ICSID, if only one Party is a party to the ICSID Convention; or

(c) the UNCITRAL Arbitration Rules.

2. The applicable arbitration rules will govern the arbitration unless they are modified by this Agreement and supplemented by rules adopted by the Commission under this Section.

3. A claim is submitted to arbitration under this Section when:

(a) the request for arbitration under Article 36(1) of the ICSID Convention is received by the Secretary-General of ICSID;

(b) the notice of arbitration under Article 2 of Schedule C of the ICSID Additional Facility Rules is received by the Secretary-General of ICSID;

or

(c) the notice of arbitration given under the UNCITRAL Arbitration Rules is received by the disputing Party.

4. Delivery of notice and other documents on a Party shall be made to the place named for that Party below:

For Canada:

Office of the Deputy Attorney General of Canada Justice Building

284 Wellington Street

Ottawa, Ontario

K1A 0H8

Canada

For Panama:

National Division for the Administration of International Trade Agreements and Trade Defense (DINATRADEC) of the Ministry of Trade and Industry of Panama Edison Plaza, Second Floor

El Paical Avenue

Panama

Republic of Panama

Article 9.24. Consent to Arbitration

1. Each Party consents to the submission of a claim to arbitration in accordance with the terms of this Agreement. Failure to meet a condition precedent listed in Article 9.22 nullifies that consent.

2. The consent given in paragraph 1 and the submission by a disputing investor of a claim to arbitration satisfies the requirement of:

(a) Chapter I of the ICSID Convention (Jurisdiction of the Centre) and the Additional Facility Rules for written consent of the parties; and

(b) Article II of the New York Convention for an agreement in writing.

Article 9.25. Arbitrators

1. Except in respect of a Tribunal established under Article 9.27, and unless the disputing parties agree otherwise, the Tribunal shall be composed of three arbitrators. One arbitrator shall be appointed by each of the disputing parties and the third, who will be the presiding arbitrator, shall be appointed by agreement of the disputing parties.

2. Arbitrators shall have expertise or experience in public international law, international trade or international investment rules, or the resolution of disputes arising under international trade or international investment agreements. They shall be independent of, and not be affiliated with or take instructions from, either Party or the disputing investor.

3. If the disputing parties do not agree on the remuneration of the arbitrators before the constitution of the Tribunal, the prevailing ICSID rate for arbitrators shall apply.

4. If a Tribunal, other than a Tribunal established under Article 9.27, has not been constituted within 90 days from the date that a claim is submitted to arbitration, the Secretary-General of ICSID, on the request of either disputing party, shall appoint the arbitrator or arbitrators not yet appointed. The Secretary-General shall make the appointment in its discretion and, to the extent practicable, do so in consultation with the disputing parties. The Secretary-General may not appoint as presiding arbitrator a national of either Party.

Article 9.26. Agreement to Appointment of Arbitrators

For purposes of Article 39 of the ICSID Convention and Article 7 of Schedule C to the ICSID Additional Facility Rules, and without prejudice to an objection to an arbitrator based on a ground other than citizenship or permanent residence:

(a) the disputing Party agrees to the appointment of each individual member of a Tribunal established under the ICSID Convention or the ICSID Additional Facility Rules;

(b) a disputing investor referred to in Article 9.20 may submit a claim to arbitration or continue a claim under the ICSID

Convention or the ICSID Additional Facility Rules only if the disputing investor agrees in writing to the appointment of each member of the Tribunal; and

(c) adisputing investor referred to in Article 9.21 may submit a claim to arbitration, or continue a claim, under the ICSID Convention or the ICSID Additional Facility Rules, only if the disputing investor and the enterprise agree in writing to the appointment of each member of the Tribunal.

Article 9.27. Consolidation

1. A Tribunal established under this Article shall be established under the UNCITRAL Arbitration Rules and shall conduct its proceedings in accordance with those Rules, except as modified by this Section.

2. If a Tribunal established under this Article is satisfied that claims submitted to arbitration under Article 9.23 have a question of law or fact in common, the Tribunal may, in the interests of fair and efficient resolution of the claims and after hearing the disputing parties, by order:

(a) assume jurisdiction over, and hear and determine together, all or part of the claims; or

(b) assume jurisdiction over, and hear and determine one or more of the claims, the determination of which it believes would assist in the resolution of the others.

3. A disputing party that seeks an order under paragraph 2 shall request that the Secretary-General of ICSID establish a Tribunal and shall specify in the request:

(a) the name of the disputing Party or disputing investor against which the order is sought;

(b) the nature of the order sought; and

(c) the grounds for the order sought.

4. The disputing party shall deliver a copy of the request to the disputing Party or disputing investor against which the order is sought.

5. Within 60 days of receipt of the request, the Secretary-General of ICSID shall establish a Tribunal consisting of three arbitrators. The Secretary-General of ICSID shall appoint one member who is a national of the disputing Party, one member who is a national of the Party of the disputing investors and a presiding arbitrator who is not a national of either Party.

6. Where a Tribunal has been established under this Article, a disputing investor that has submitted a claim to arbitration under Article 9.23 and that has not been named in a request made under paragraph 3 may make a written request to the Tribunal that it be included in an order made under paragraph 2, and shall specify in the request:

(a) the name and address of the disputing investor;

(b) the nature of the order sought; and

(c) the grounds for the order sought.

7. A disputing investor referred to in paragraph 6 shall deliver a copy of its request to the disputing parties named in a request made under paragraph 3.

8. A Tribunal established under Article 9.23 does not have jurisdiction to decide a claim, or a part of a claim, over which a Tribunal established under this Article has assumed jurisdiction.

9. On application of a disputing party, a Tribunal established under this Article may order that the proceedings of a Tribunal established under Article 9.23 be stayed pending its decision under paragraph 2, unless that Tribunal has already adjourned its proceedings.

Article 9.28. Documents to, and Participation of, the other Party

1. A disputing Party shall deliver to the other Party a copy of the notice of intent to submit a claim to arbitration and other documents within 30 days of the date that those documents have been delivered to the disputing Party. The other Party is entitled, at its cost, to receive from the disputing Party a copy of the evidence that has been tendered to the Tribunal, copies of all pleadings filed in the arbitration and the written argument of the disputing parties. The Party receiving such information shall treat the information as if it were a disputing Party.

2. The other Party to this Agreement has the right to attend a hearing held under Section C of this Chapter. Upon written notice to the disputing parties, the other Party may make submissions to a Tribunal on a question of interpretation of this Agreement.

Article 9.29. Place of Arbitration

The disputing parties may agree on the legal place of arbitration under the arbitral tules applicable under Article 9.23(1). If the disputing parties fail to agree, the Tribunal shall determine the place in accordance with the applicable arbitral rules, provided that the place is in the territory of either Party or of a third State that is a party to the New York Convention.

Article 9.30. Public Access to Hearings and Documents

1. A Tribunal award under this Section shall be publicly available, subject to the redaction of confidential information. All other documents submitted to, or issued by, the Tribunal shall be publicly available unless the disputing parties otherwise agree, subject to the redaction of confidential information.

2. Hearings held under this Section shall be open to the public. The Tribunal may hold portions of hearings in camera to the extent necessary to ensure the protection of confidential information, including business confidential information.

3. A disputing party may disclose to other persons in connection with the arbitral proceedings such unredacted documents as it considers necessary for the preparation of its case, but it shall ensure that those persons protect the confidential information in those documents.

4. The Parties may share with officials of their respective national and sub-national governments all relevant unredacted documents in the course of dispute settlement under this Chapter, but they shall ensure that those persons protect confidential information in those documents.

5. To the extent that a Tribunal's confidentiality order designates information as confidential and a Party's domestic law on access to information requires public access to that information, the Party's domestic law on access to information prevails. However, a Party should endeavour to apply its domestic law on access to information so as to protect information designated confidential by the Tribunal.

Article 9.31. Submissions by a Non-Disputing Party

1. A Tribunal has the authority to consider and accept written submissions from a person or entity that is not a disputing party with a significant interest in the arbitration. The Tribunal shall ensure that a non-disputing party submission does not disrupt the proceedings and does not unduly burden or unfairly prejudice either disputing party.

2. An application to the Tribunal for leave to file a non-disputing party submission, and the filing of a submission, if allowed by the Tribunal, must be made in accordance with Annex 9.31.

Article 9.32. Governing Law

1. A Tribunal established under this Section shall decide the issues in dispute consistently with this Agreement and applicable rules of international law. An interpretation by the Commission of this Agreement is binding on a Tribunal established under this Section and an award under this Section must be consistent with that interpretation.

2. Where a disputing Party asserts as a defence that the measure alleged to be a breach is within the scope of a reservation or exception set out in Annex I, Annex II or Annex HI, on request of the disputing Party the Tribunal shall request the interpretation of the Commission on the issue. Within 60 days of delivery of the request, the Commission shall submit in writing its interpretation to the Tribunal. The interpretation is binding on the Tribunal. If the Commission fails to submit an interpretation within 60 days, the Tribunal shall decide the issue.

Article 9.33. Expert Reports

1. Subject to paragraph 2, a Tribunal may appoint experts to report to it in writing on any factual issue concerning environmental, health, safety or other scientific matters raised by a disputing party, subject to such terms and conditions as the disputing parties may decide.

2. The Tribunal may not exercise the power conferred to it under paragraph 1 if the disputing parties decide that the Tribunal may not do so.

3. Paragraph 1 does not affect the appointment of other kinds of experts where the appointment is authorized by the applicable arbitration rules.

Article 9.34. Interim Measures of Protection and Final Award

1. A Tribunal may order an interim measure of protection to preserve the rights of a disputing party or to ensure that the Tribunalâs jurisdiction is made fully effective, including an order to preserve evidence in the possession or control of a disputing party or to protect the Tribunal's jurisdiction. A Tribunal may not order attachment or enjoin the application of the measure alleged to constitute a breach referred to in Articles 9.20 and 9.21. For purposes of this paragraph, an order includes a recommendation.

2. Where a Tribunal makes a final award against the disputing Party, the Tribunal may award only:

(a) monetary damages and any applicable interest; or

(b) restitution of property, in which case the award shall provide that the disputing Party may pay monetary damages and any applicable interest in lieu of restitution. The Tribunal may also award costs in accordance with the applicable arbitration rules.

3. Subject to paragraph 2, where a claim is made under Article 9.21:

(a) an award of monetary damages and any applicable interest shall provide that the sum be paid to the enterprise;

(b) an award of restitution of property shall provide that restitution be made to the enterprise; and

(c) the award shall provide that it is made without prejudice to a right that a person may have in monetary damages or property awarded under subparagraphs (a) or (b) under domestic law.

4. A Tribunal may not order a disputing Party to pay punitive damages.

Article 9.35. Finality and Enforcement of an Award

1. An award made by a Tribunal has no binding force except between the disputing parties and in respect of that particular case.

2. Subject to paragraph 3 and the applicable review procedure for an interim award, a disputing party shall abide by and comply with an award without delay.

3. A disputing party may not seek enforcement of a final award until:

(a) in the case of a final award made under the ICSID Convention:

(i) 120 days have elapsed from the date the award was rendered, provided that a disputing party has not requested that the award be revised or annulled, or

(ii) revision or annulment proceedings have been completed; and

(b) in the case of a final award under the ICSID Additional Facility Rules or the UNCITRAL Arbitration Rules:

(i) 90 days have elapsed from the date the award was rendered and no disputing party has commenced a proceeding to revise, set aside or annul the award, or

(ii) a court has dismissed or allowed an application to revise, set aside or annul the award and there is no further appeal.

4. Each Party shall provide for the enforcement of an award in its territory.

5. A claim that is submitted to arbitration under this Section shall be considered to arise out of a commercial relationship or transaction for purposes of Article I of the New York Convention.

Article 9.36. Receipts Under Insurance or Guarantee Contracts

In an arbitration under this Section, a disputing Party may not assert as a defence, counterclaim, right of setoff or otherwise that the disputing investor has received or will receive, under an insurance or guarantee contract, indemnification or other compensation for all or part of its alleged damages.

Article 9.37. Exclusions

The dispute settlement provisions of this Section and of Chapter Twenty-Two (Dispute Settlement) do not apply to the matters referred to in Annex 9.37.

Article 9.38. Suspension of other Agreements

1, The Treaty between the Government of Canada and the Government of the Republic of Panama for the Promotion and Protection of Investments, done at Guatemala on 12 September 1996 (the "FIPA") is suspended from the date of entry into force of this Agreement until such time as this Agreement is no longer in force.

2. Notwithstanding paragraph 1, the FIPA remains operative for a period of 15 years after the entry into force of this Agreement for the purpose of any breach of the obligations of the FIPA that occurred before the entry into force of this Agreement. During this period the right of an investor of a Party to submit a claim to arbitration concerning such a breach shall be governed by the relevant provisions of the FIPA.

Annex 9.11. Expropriation

The Parties confirm their shared understanding that:

(a) indirect expropriation results from a measure or a series of measures of a Party that has an effect equivalent to direct expropriation without formal transfer of title or outright seizure;

(b) the determination of whether a measure or series of measures of a Party constitute an indirect expropriation requires a case-by-case, fact-based inquiry that considers, among other factors:

(i) the economic impact of the measure or a series of measures, although the sole fact that a measure or a series of measures of a Party has an adverse effect on the economic value of an investment does not establish that an indirect expropriation has occurred,

(ii) the extent to which the measure or the series of measures interfere with distinct, reasonable investment-backed expectations, and

(ii) the character of the measure or the series of measures;

(c) except in rare circumstances, such as when a measure or a series of measures is so severe in the light of its purpose that it cannot be reasonably viewed as having been adopted and applied in good faith, a non-discriminatory measure of a Party that is designed and applied to protect legitimate public welfare objectives, such as health, safety and the environment, does not constitute indirect expropriation.

Annex 9.31. Submissions by a Non-Disputing Party

1. The application for leave to file a non-disputing party submission shall:

(a) be made in writing, dated and signed by the person filing the application, and include the address and other contact details of the applicant;

(b) be no longer than five typed pages;

(c) describe the applicant, including, where relevant, its membership and legal status (for example, company, trade association or other non-governmental organization), its general objectives, the nature of its activities, and any parent organization (including any organization that directly or indirectly controls the applicant);

(d) disclose whether the applicant has an affiliation, direct or indirect, with a disputing party;

(e) identify any government, person or organization that has provided financial or other assistance in preparing the submission;

(f) specify the nature of the interest that the applicant has in the arbitration;

(g) identify the specific issues of fact or law in the arbitration that the applicant has addressed in its written submission;

(h) explain why the Tribunal should accept the submission; and

(i) be made in a language of the arbitration.

2. The submission filed by a non-disputing party shall:

(a) be dated and signed by the person filing the submission;

(b) be concise, and not exceed 20 typed pages, including any appendices;

(c) set out a precise statement supporting the applicant's position on the issues; and

(d) only address matters within the scope of the dispute.

Annex 9.37. Exclusions

1. A decision by Canada following a review under the Investment Canada Act (R.S.C. 1985, c. 28 (1st supp.)), with respect to whether to permit an acquisition that is subject to review, shall not be subject to the dispute settlement provisions of Section C of this Chapter or of Chapter Twenty-Two (Dispute Settlement).

2. A decision by a Party to prohibit or restrict the acquisition of an investment in its territory by an investor of the other Party, or its investment, under Article 23.03 (Exceptions â National Security) shall not be subject to the dispute settlement provisions of Section C of this Chapter or of Chapter Twenty-Two (Dispute Settlement).

Chapter Ten. CROSS-BORDER TRADE IN SERVICES

Article 10.01. Definitions

For purposes of this Chapter:

aircraft repair and maintenance services mean these activities when undertaken on an aircraft or a part thereof while it is withdrawn from service and do not include so-called line maintenance;

computer reservation system (CRS) services mean services provided by computerised systems that contain information about air carrier' schedules, availability, fares and fare rules, through which reservations can be made or tickets may be issued;

cross-border trade in services means providing a service:

(a) from the territory of one Party into the territory of the other Party,

(b) in the territory of one Party by a person of that Party to a person of the other Party, or

(c) by a national of a Party in the territory of the other Party,

but does not include providing a service in the territory of a Party by a covered investment as defined in Article 9.01 (Investment - Definitions);

enterprise means an enterprise as defined in Article 1.01 (Initial Provisions and General Definitions - Definitions of General Application), and a branch of an enterprise;

enterprise of a Party means an enterprise organized or constituted under the laws of a Party and a branch located in the territory of a Party and carrying out business activities there;

measure adopted or maintained by a Party means a measure adopted or maintained by:

(a) a national or sub-national government or authority; or

(b) a non-governmental body exercising a national or sub-national governmental authority;

professional service means a service, the provision of which requires specialized post- secondary education, or equivalent training or experience, and for which the right to ptactise is granted or restricted by a Party, but does not include a service provided by a tradesperson or a crew member of a vessel or an aircraft;

selling or marketing of an air transport service means opportunities for the air carrier concerned to sell and market freely its air transport services and all aspects of marketing such as market research, advertising and distribution, but does not include the pricing of air transport services nor the applicable conditions; and

service provider of a Party means a person of that Party that seeks to provide or provides a service.

Article 10.02. Scope of Application

1. This Chapter applies to measures adopted or maintained by a Party affecting cross-border trade in services by a service provider of the other Party, including a measure that affects:

(a) producing, distributing, marketing, selling and delivering of a service;

(b) purchasing, using or paying for a service;

(c) accessing and using a distribution, transport or telecommunications network and service in connection with providing a service;

(d) the presence in its territory of a service provider of the other Party; or

(e) requiring a bond or other form of financial security as a condition for providing a service.

2. This Chapter does not apply to:

(a) a financial service as defined in Chapter Twelve (Financial Services);

(b) an air service or related service in support of air services, other than:

(i) an aircraft repair and maintenance service,

(ii) the selling or marketing of an air transport service, or

(iii) a computer reservation system (CRS) service;

(c) procurement by a Party or a state enterprise; or

(d) a subsidy or grant provided by a Party or a state enterprise, including a government-supported loan, guarantee or insurance.

3. This Chapter does not impose an obligation on a Party with respect to a national of the other Party seeking access to its employment market, or employed on a permanent basis in its territory, or confer any right on that national with respect to that access or employment.

Article 10.03. National Treatment

1. Each Party shall accord to a service provider of the other Party treatment no less favourable than that it accords in like circumstances to its own service providers.

2. The treatment accorded by a Party under paragraph 1 means, with respect to a measure adopted or maintained by a sub-national government, treatment no less favourable than the most favourable treatment accorded, in like circumstances, by that sub-national government to service providers of the Party of which it forms a part.

3. The treatment accorded by a Party under paragraph 1 extends to a relevant service provided by that service provider.

Article 10.04. Most-Favoured-Nation Treatment

1. Each Party shall accord to a service provider of the other Party treatment no less favourable than that it accords in like circumstances to service providers of a non-Party.

2. The treatment accorded by a Party under paragraph 1 extends to a relevant service provided by that service provider.

Article 10.05. Market Access

A Party may not adopt or maintain a measure that:

(a) imposes limitations on:

(i) the number of service providers, whether in the form of a numerical quota, monopoly, exclusive service provider or by requiring an economic needs test,

(ii) the total value of service transactions or assets in the form of a numerical quota or the requirement of an economic needs test,

(iii) the total number of service operations or the total quantity of service output expressed in terms of a designated numerical unit in the form of a quota or the requirement of an economic needs test, or

(iv) the total number of natural persons that may be employed in a particular service sector or that a service provider may employ and who are necessary for, and directly related to, the provision of a specific service in the form of a numerical quota or the requirement of an economic needs test; or

(b) restricts or requires a specific type of legal entity or joint venture through which a service provider may provide a service.

Article 10.06. Local Presence

A Party may not require as a condition for the cross-border provision of a service that a service provider of the other Party:

(a) establish or maintain a representative office or an enterprise in its territory; or

(b) be resident in its territory.

Article 10.07. Reservations

1. Articles 10.03, 10.04, 10.05 and 10.06 do not apply to:

(a) an existing non-conforming measure that is maintained by a Party at the level of the:

(i) national government as set out in its Schedule to Annex I, or

(ii) a sub-national government;

(b) the continuation or prompt renewal of a non-conforming measure referred to in subparagraph (a); or

(c) an amendment to a non-conforming measure referred to in subparagraph (a) provided that this amendment does not decrease the conformity of the measure as it existed immediately before the amendment, with Articles 10.03, 10.04, 10.05 and 10.06.

2. Articles 10.03, 10.04, 10.05 and 10.06 do not apply to a measure that a Party adopts or maintains with respect to a sector, subsector or activity, as set out in its Schedule to Annex II.

Article 10.08. Domestic Regulation

The Parties note their mutual obligations related to domestic regulation in Article VI:4 of the GATS and affirm their commitment to develop necessary disciplines under Article VI:4. If any of those disciplines are adopted by the WTO Members, the Parties will, as appropriate, jointly review them to determine whether this Article needs to be supplemented.

Article 10.09. Recognition

1. For the purposes of fulfillment, in whole or in part, of its standards or criteria for the authorization, licensing or certification of services providers, and subject to the requirements of paragraph 3, a Party may recognize the education or experience obtained, requirements met, or licenses or certifications granted in a particular country. That recognition, which may be achieved through harmonization or otherwise, may be based on an agreement or arrangement with the country concerned or may be accorded autonomously.

2. A Party that is a party to an agreement or arrangement of the type referred to in paragraph 1, whether existing or future, shall afford adequate opportunity for the other Party, if the other Party is interested, to negotiate its accession to that agreement or atrangement or to negotiate a comparable agreement or arrangement. Where a Party accords recognition autonomously, it shall afford adequate opportunity for the other Party to demonstrate that education, experience, licences or certifications obtained or requirements met in that other Party's territory should be recognized.

3. A Party shall not accord recognition in a manner that would constitute a means of discrimination between countries in the application of its standards or criteria for the authorization, licensing or certification of services providers, or a disguised restriction on trade in services.

4. The Parties shall encourage their relevant professional service bodies in their respective territories to:

(a) exchange information on existing standards and criteria for the authorization, licensing and certification of professional service providers; and

(b) consider the use of the standards and criteria of Annex 10.09 in discussions for a potential agreement or arrangement referred to in paragraph 1.

Article 10.10. Denial of Benefits

Subject to prior notification in accordance with Article 20.03 (Transparency - Notification and Provision of Information):

(a) the benefits of this Chapter shall be denied to a service provider of the other Party where the Party establishes that the service is being provided by an enterprise owned or controlled by a national of a non-Party, and the denying Party adopts or maintains a measure with respect to the non-Party that prohibits transactions with the enterprise or that would be violated or circumvented if the benefits of this Chapter were accorded to the enterprise; and

(b) a Party may deny the benefits of this Chapter to a service provider of the other Party if the service provider is an enterprise owned or controlled by a person of a non-Party that has no substantial business activities in the territory of the other Party.

Article 10.11. Transfers and Payments

1. Each Party shall permit transfers and payments relating to the cross-border provision of services to be made freely and without delay into and out of its territory.

2. Each Party shall permit transfers and payments relating to the cross-border provision of services to be made in a freely usable currency at the market rate of exchange prevailing on the date of transfer.

3. Notwithstanding paragraphs 1 and 2, a Party may prevent or delay a transfer or payment through the equitable, non-discriminatory, and good faith application of its domestic law relating to:

(a) bankruptcy, insolvency or the protection of the rights of a creditor;

(b) issuing, trading, or dealing in securities, futures, options or derivatives;

(c) financial reporting or record keeping of transfers when necessary to assist law enforcement or financial regulatory authorities;

(d) a criminal or penal offence; or

(e) ensuring compliance with an order or judgment in judicial or administrative proceedings.

Chapter Eleven. TELECOMMUNICATIONS

Article 11.01. Definitions

For purposes of this Chapter:

cost-oriented means based on cost, including a reasonable profit, and may involve different cost methodologies for different facilities or services;

end-user means a final consumer of or subscriber to a public telecommunications transport service, including a service supplier other than a supplier of public telecommunications transport services;

enterprise means an "enterprise" as defined in Article 1.01 (Initial Provisions and General Definitions - Definitions of General Application) and a branch of an enterprise;

essential facilities means facilities of a public telecommunications transport network or service that:

(a) are exclusively or predominantly provided by a single or a limited number of suppliers; and

(b) cannot feasibly be economically or technically substituted in order to supply a service;

interconnection means linking suppliers providing a public telecommunications transport service to allow the users of one supplier to communicate with users of another supplier and to access a service provided by another supplier;

intra-corporate communications means telecommunications through which a company communicates within the company or with or among its subsidiaries, branches and, subject to a Party's domestic law, affiliates, but does not include a commercial or non- commercial service that is supplied to a company that is not a related subsidiary, branch or affiliate or that is offered to a customer or potential customer; for purposes of this definition, "subsidiaries", "branches" and, where applicable, "affiliates" are as defined by each Party in its domestic law;

leased circuits means telecommunications facilities between two or more designated points that are set aside for the dedicated use of or availability to a particular customer or other users of the customer's choosing;

major supplier means a supplier that has the ability to materially affect the terms of participation having regard to price and supply in the relevant market for public telecommunications transport networks or services as a result of:

(a) control over essential facilities; or

(b) the use of its position in the market;

network termination point means the final demarcation of the public telecommunications transport network at the user's premises;

non-discriminatory means treatment no less favourable than that accorded to another user of like public telecommunications transport networks or services in like circumstances;

public telecommunications transport network means the public telecommunications infrastructure that permits telecommunications between and among defined network termination points;

public telecommunications transport service means a telecommunications transport service required, explicitly or in effect, by a Party to be offered to the public generally that involves the real-time transmission of customer-supplied information between two or more points without an end-to-end change in the form or content of the customer's information. Such services may include, inter alia, telegraph, telephone, telex and data transmission;

regulatory body means the national body of a Party that is responsible for the regulation of telecommunications;

service supplier means a person of a Party who is seeking to supply or who supplies a service, including a supplier of a telecommunications transport network or service;

supply of a service means providing a service:

(a) from the territory of a Party into the territory of the other Party;

(b) in the territory of a Party by a person of that Party to a person of the other Party;

(c) by a service supplier of a Party, through an enterprise in the territory of the other Party; or

(d) by a national of a Party in the territory of the other Party;

user means an end-user or a supplier of a public telecommunications transport service; and

value-added service means a service that adds value to public telecommunications transport services through enhanced functionality, by:

(a) acting on the format, content, code, protocol or similar aspects of a customer's transmitted information;

(b) providing a customer with additional, different or restructured information; or

(c) providing a customer interaction with stored information.

Article 11.02. Scope of Application

1. This Chapter applies to:

(a) a measure adopted or maintained by a Party in relation to accessing and using a public telecommunications transport network or service;

(b) a measure adopted or maintained by a Party relating to an obligation of a supplier of a public telecommunications transport network or service;

(c) any other measure adopted or maintained by a Party relating to a public telecommunications transport network or service; and

(d) a measure adopted or maintained by a Party relating to the supply of a value-added service.

2. This Chapter does not apply to a measure of a Party affecting the transmission by electromagnetic means, including broadcast and cable distribution, of radio or television programming intended for reception by the public.

3. This Chapter does not:

(a) require a Party to authorize a service supplier of the other Party to establish, construct, acquire, lease, operate or supply a telecommunications transport network or service, other than as specifically provided in this Agreement;

(b) require a Party to establish, construct, acquire, lease, operate or supply a telecommunications transport network or service not offered to the public generally; or

(c) require a Party to compel a service supplier to establish, construct, acquire, lease, operate or supply a telecommunications transport network or service not offered to the public generally.

Article 11.03. Access to and Use of Public Telecommunications Transport Networks or Services

1. Subject to a Party's right to restrict the supply of a service in accordance with the reservations in its Schedule to Annex I or II, a Party shall ensure that an enterprise of the other Party is accorded access to and use of a public telecommunications transport network or service on reasonable and non-discriminatory terms and conditions, including as set out in paragraphs 2 through 7.

2. Each Party shall ensure that an enterprise of the other Party has access to and use of a public telecommunications transport network or service offered within or across its borders, including private leased circuits, and to this end shall ensure, subject to paragraphs 6 and 7, that the enterprise is permitted to:

(a) purchase, or lease, and attach terminal or other equipment that interfaces with a public telecommunications transport network;

(b) interconnect private leased or owned circuits with a public telecommunications transport network and service in the territory, or across the borders, of that Party or with circuits leased or owned by another enterprise;

(c) use an operating protocol of its choice; and

(d) perform a switching, signalling or processing function.

3. Each Party shall ensure that an enterprise of the other Party may use a public telecommunications transport network and service for the movement of information in its territory or across its borders, including for intra-corporate communications of such enterprises, and for access to information contained in a database or otherwise stored in machine-readable form in the territory of either Party.

4. Further to Article 23.02 (Exceptions - General Exceptions), a Party may take a measure necessary to:

(a) ensure the security and confidentiality of messages; or

(b) protect the privacy of users of public telecommunications transport services.

5. A measure taken under paragraph 4 may not be applied in a manner that would constitute a means of arbitrary or unjustifiable discrimination or a disguised restriction on trade.

6. Each Party shall ensure that no condition is imposed on access to and use of a public telecommunications transport network or service other than as necessary to:

(a) safeguard the public service responsibilities of suppliers of a public telecommunications transport network or service, in particular their ability to make their networks or services available to the public generally;

(b) protect the technical integrity of a public telecommunications transport network or service; or

(c) ensure that a service supplier of the other Party does not supply a service limited by a Party's reservations in its Schedule to Annex I or II.

7. Provided that they satisfy the criteria in paragraph 6, conditions for access to and use of a public telecommunications transport network or service may include:

(a) a restriction on resale or shared use of that service; the Parties understand that in Panama, resale of mobile cellular and personal communications services is at the discretion and prior approval of the licensed provider;

(b) a requirement to use a specified technical interface, including an interface protocol, for interconnection with that network or service;

(c) a requirement, where necessary, for the inter-operability of that service;

(d) type approval of terminal or other equipment that interfaces with the network and technical requirements relating to the attachment of that equipment to the network;

(e) a restriction on interconnection of private leased or owned circuits with that network or service or with circuits leased or owned by another enterprise; and

(f) notification, registration and licensing.

Article 11.04. Procedures for Licences or Concessions

Where a Party requires a supplier to have a licence or concession to supply a public telecommunications transport network or service, that Party shall ensure that:

(a) once the application is considered complete, a decision whether to grant the licence or concession is made within the period required by each Party; and

(b) the reasons for any denial will be communicated to the applicant, according to each Party's procedures.

Article 11.05. Conduct of Major Suppliers

Competitive Safeguards

1. Each Party shall maintain appropriate measures for the purpose of preventing suppliers that, alone or together, are a major supplier from engaging in or continuing anti- competitive practices.

2. The anti-competitive practices referred to in paragraph 1 include:

(a) engaging in anti-competitive cross-subsidization;

(b) using information obtained from competitors with anti-competitive results; and

(c) not making available to another service supplier, on a timely basis, technical information about essential facilities and commercially relevant information that is necessary for that service supplier to provide a service. Interconnection

3. Subject to a Party's reservations in its Schedule to Annex I or II, each Party shall ensure that a major supplier provides interconnection:

(a) at any technically feasible point in the network;

(b) under non-discriminatory terms, conditions (including technical standards and specifications) and rates;

(c) of a quality no less favourable than that provided to its own like services, for like services of non-affiliated service suppliers, or of its subsidiaries or other affiliates;

(d) in a timely fashion, on terms, conditions (including technical standards and specifications) and cost-oriented rates that are:

(i) transparent and reasonable, having regard to economic feasibility, and

(ii) sufficiently unbundled so that the supplier need not pay for network components or facilities that it does not require for the service to be provided; and

(e) upon request, at points in addition to the network termination points offered to the majority of users, subject to charges that reflect the cost of construction of necessary additional facilities.

Article 11.06. Universal Service

1. Each Party has the right to define the universal service obligation it wishes to adopt or maintain.

2. Each Party shall administer any universal service obligation that it adopts or maintains in a transparent, non-discriminatory and competitively neutral manner and shall ensure that a universal service obligation is not more burdensome than necessary for the kind of universal service that it has defined.

Article 11.07. Allocation and Use of Scarce Resources

1. Each Party shall administer its procedures for the allocation and use of scarce resources, including frequencies, numbers and rights of way, in an objective, timely, transparent and non-discriminatory manner.

2. Notwithstanding Article 10.05 (Cross-Border Trade in Services - Market Access), a Party may adopt or maintain a measure allocating and assigning spectrum and managing frequencies. Accordingly, each Party retains the right to establish and apply its spectrum and frequency management policies that may limit the number of suppliers of a public telecommunications transport service. Each Party also retains the right to allocate frequency bands taking into account present and future needs.

Article 11.08. Regulatory Body

1. Each Party shall ensure that its regulatory body is separate from, and not accountable to, a supplier of a public telecommunications transport network or service or value-added service.

2. Each Party shall ensure that its regulatory bodyâs decisions and procedures are impartial with respect to market participants.

Article 11.09. Enforcement

Each Party shall maintain appropriate procedures and authority to enforce compliance with the Partyâs domestic measures relating to the obligations in Articles 11.03 and 11.05. Those procedures shall include the ability to impose appropriate sanctions, which may include financial penalties, corrective orders or the modification, suspension or revocation of licences.

Article 11.10. Resolution of Domestic Telecommunication Disputes

Recourse to Regulatory Bodies

1. Further to Articles 20.04 (Transparency - Administrative Proceedings) and 20.05 (Transparency - Review and Appeal), each Party shall ensure that:

(a) a supplier of a public telecommunications transport network or service or value-added service of the other Party has timely recourse to its regulatory body to resolve disputes regarding a measure that relate to matters covered in Articles 11.03 and 11.05 and that, under the domestic law of the Party, are within the regulatory body's jurisdiction; and

(b) a supplier of a public telecommunications transport network or service of the other Party requesting interconnection with a major supplier in the Party's territory has recourse, within a reasonable and publicly specified period after the supplier requests interconnection, to its regulatory body to resolve disputes regarding the appropriate terms, conditions and rates for interconnection with that major supplier.

Reconsideration

2. Each Party shall ensure that a supplier of public telecommunications transport networks or services or value-added services aggrieved by the determination or decision of a regulatory body may petition that body for reconsideration of that determination or decision.

3. Paragraph 2 does not apply:

(a) with respect to Canada, to a determination or decision related to the establishment and application of spectrum and frequency management policies;

(b) with respect to Panama, to a determination or decision related to the establishment and application of rulings of general application, as defined in Article 20.01 (Transparency â Definitions).

Article 11.11. Transparency

1. Further to Articles 20.02 (Transparency - Publication) and 20.03 (Transparency - Notification and Provision of Information), and in addition to the other provisions in this Chapter relating to the publication of information, each Party shall make publicly available:

(a) relevant procedures of its regulatory body, including those related to interconnection and licensing;

(b) licensing criteria, the terms and conditions for licences, and the period of time normally required to reach a decision concerning an application for a licence;

(c) the current state of allocated frequency bands, but detailed identification of frequencies allocated for specific government use is not required;

(d) its measures relating to public telecommunications transport networks or services and, where applicable, value-added services, including:

(i) tariffs and other terms and conditions of service,

(ii) specifications of technical interfaces,

(iii) conditions for attaching terminal or other equipment to a public telecommunications transport network, and

(iv) notification, permit, registration or licensing requirements, if any; and

(e) information on bodies responsible for preparing, amending and adopting standards-related measures.

2. Each Party shall, upon request, make available an interconnection agreement in force between a major supplier in its territory and another supplier of a public telecommunications transport service in its territory to the others suppliers of public telecommunications transport services of each Party.

Article 11.12. Forbearance

The Parties recognize the importance of relying on market forces to achieve wide choices in the supply of telecommunications services. To this end, each Party may refrain from applying a regulation to a telecommunications service when:

(a) enforcement of that regulation is not necessary to prevent an unreasonable or discriminatory practice;

(b) enforcement of that regulation is not necessary to protect consumers; or

(c) it is consistent with the public interest, including promoting and enhancing competition between suppliers of a public telecommunications transport network or service.

Article 11.13. Relation to other Chapters

In the event of an inconsistency between this Chapter and another Chapter in this Agreement, this Chapter prevails to the extent of the inconsistency.

Article 11.14. International Standards and Organizations

The Parties recognize the importance of international standards for global compatibility and interoperability of telecommunications networks or services and undertake to promote those standards through the work of relevant international bodies, including the International Telecommunication Union and the International Organization for Standardization.

Chapter Twelve. FINANCIAL SERVICES

Article 12.01. Definitions

For purposes of this Chapter:

Appointing Authority means the Secretary-General, Deputy Secretary-General or next senior member of the staff of the International Centre for Settlement of Investment Disputes who is not a national of either Party;

banking and other financial service (excluding insurance) means:

(a) acceptance of deposits and other repayable funds from the public;

(b) lending of all types, including consumer credit, mortgage credit, factoring and financing of commercial transactions;

(c) financial leasing;

(d) all payment and money transmission services, including credit, charge and debit cards, travellers cheques, and bankers drafts;

(e) guarantees and commitments;

(f) trading for own account or for account of customers, whether on an exchange, in an over-the-counter market, or otherwise, the following:

(i) money market instruments (including cheques, bills, certificates of deposit),

(ii) foreign exchange,

(iii) derivative products, including futures and options,

(iv) exchange rate and interest rate instruments, including products such as swaps and forward rate agreements,

(v) transferable securities, or

(vi) other negotiable instruments and financial assets, including bullion;

(g) participation in issues of all kinds of securities, including underwriting and placement as agent (whether publicly or privately) and provision of services related to such issues;

(h) money broking;

(i) asset management, such as cash or portfolio management, all forms of collective investment management, pension fund management, custodial, depository and trust services;

(j) settlement and clearing services for financial assets, including securities, derivative products and other negotiable instruments;

(k) provision and transfer of financial information, and financial data processing and related software by suppliers of other financial services; and

(l) advisory, intermediation, and other auxiliary financial services on all the activities listed in subparagraphs (a) through (k), including credit reference and analysis, investment and portfolio research and advice, advice on acquisitions and on corporate restructuring and strategy;

cross-border financial service supplier of a Party means a person of a Party that is engaged in the business of supplying a financial service within the territory of the Party and that seeks to supply or supplies a financial service through the cross-border trade in that service;

cross-border trade in financial services or cross-border supply of financial services means the supply of a financial service:

(a) from the territory of a Party into the territory of the other Party;

(b) in the territory of a Party by a person of that Party to a person of the other Party; or

(c) by a national of a Party in the territory of the other Party, but does not include the supply of a service in the territory of a Party by an investment in that territory;

financial institution means a financial intermediary or other enterprise that is authorized to do business and regulated or supervised as a financial institution under the domestic law of the Party in whose territory it is located;

financial institution of the other Party means a financial institution, including a branch, located in the territory of a Party that

is controlled by a person of the other Party;

financial service means a service of a financial nature, including an insurance or insurance-related service, a banking or other financial service (excluding insurance), or a service incidental or auxiliary to a service of a financial nature;

financial service supplier of a Party means a person of a Party that is engaged in the business of supplying a financial service within the territory of that Party;

insurance and insurance-related service means:

(a) direct insurance (including co-insurance):

(i) life, or

(ii) non-life;

(b) reinsurance and retrocession;

(c) insurance intermediation, such as brokerage and agency; or

(d) service auxiliary to insurance, such as consultancy, actuarial, risk assessment, and claim settlement services;

investment means "investment" as defined in Article 9.01 (Investment - Definitions), except that:

(a) a loan to a financial institution and a bond, debenture and other debt instrument referred to in paragraph (c) of that definition (a "debt instrument") is an investment only where it is treated as regulatory capital by the Party in whose territory the financial institution is located; and

(b) a loan granted by a financial institution or debt instrument owned by a financial institution is not an investment unless it is covered by subparagraph (a); and

for greater certainty:

(c) a loan to, or debt security issued by, a Party or a state enterprise of that Party is not an investment; and

(d) a loan granted by or debt instrument owned by a cross-border financial service supplier, other than a loan to or debt instrument issued by a financial institution, is an investment if such loan or debt instrument meets the criteria for investments set out in Article 9.01 (Investment - Definitions);

investor of a Party means "investor of a Party" as defined in Article 9.01 (Investment - Definitions);

new financial service means a financial service not supplied in the Party's territory that is supplied within the territory of the other Party, and includes a new form of delivery of

a financial service or the sale of a financial product that is not sold in the Party's territory;

person of a Party means "person of a Party" as defined in Article 1.01 (Initial Provisions and General Definitions - Definitions of General Application) and, for greater certainty,

does not include a branch of an enterprise of a non-Party; prudential reasons includes the maintenance of the safety, soundness, integrity, or financial responsibility of individual institutions or cross-border financial service suppliers;

public entity means a central bank or monetary authority of a Party, or a financial institution owned or controlled by a Party; and

self-regulatory organization means a non-governmental body that exercises its own or delegated regulatory or supervisory authority over financial service suppliers or financial institutions, including a securities or futures exchange or market, clearing agency, or other organization or association.

Article 12.02. Scope of Application

1. This Chapter applies to a measure adopted or maintained by a Party relating to:

(a) a financial institution of the other Party;

(b) an investor of the other Party or an investment of that investor, in a financial institution in the Party's territory; and

(c) cross-border trade in financial services.

2. Chapters Nine (Investment) and Ten (Cross-Border Trade in Services) apply to measures described in paragraph 1 only to the extent that those Chapters are incorporated into this Chapter.

3. Articles 9.10 (Investment - Transfers), 9.11 (Investment - Expropriation), 9.15 (Investment - Denial of Benefits), 9.16 (investment - Health, Safety and Environmental Measures), 9.18 (Investment - Special Formalities and Information Requirements) and 10.10 (Cross-Border Trade in Services - Denial of Benefits) are incorporated into and made a part of this Chapter.

4. Section C of Chapter Nine (Investment - Settlement of Disputes between an Investor and the Host Party) is incorporated into and made a part of this Chapter solely for claims that a Party has breached Articles 9.10 (Investment -Transfers), 9.11 (Investment - Expropriation), or 9.15 (Investment - Denial of Benefits) as incorporated into this Chapter, or claims pursuant to Article 9.20(c) (Investment - Claim by an Investor of a Party on Its Own Behalf) or Article 9.21(1)(c) (investment - Claim by an Investor of a Party on Behalf of an Enterprise).

5. Article 10.11 (Cross-Border Trade in Services - Transfers and Payments) is incorporated into and made a part of this Chapter to the extent that cross-border trade in financial services is subject to obligations pursuant to Article 12.06.

6. This Chapter does not prevent a Party, including its public entities from exclusively conducting or providing in its territory:

(a) activities or services forming part of a public retirement plan or statutory system of social security; or

(b) activities or services for the account or with the guarantee or using the financial resources of the Party or its public entities.

Article 12.03. National Treatment

1. Each Party shall accord to an investor of the other Party treatment no less favourable than that it accords to its own investors in like circumstances with respect to the establishment, acquisition, expansion, management, conduct, operation, and sale or other disposition of financial institutions or an investment in financial institutions in its territory.

2. Each Party shall accord to a financial institution of the other Party and to an investment of an investor of the other Party in a financial institution treatment no less favourable than that it accords to its own financial institutions and to investments of its own investors in financial institutions, in like circumstances, with respect to the establishment, acquisition, expansion, management, conduct, operation, and sale or other disposition of financial institutions and investments.

3. For purposes of the national treatment obligations in Article 12.06(1), a Party shall accord to a cross-border financial service supplier of the other Party treatment no less favourable than that it accords to its own financial service suppliers, in like circumstances, with respect to the supply of the relevant service.

4. The treatment that a Party is required to accord under paragraphs 1, 2 and 3 means, with respect to measures adopted or maintained by a sub-national government, treatment no less favourable than the most favourable treatment accorded, in like circumstances, by that sub-national government to investors in financial institutions, financial institutions, investments of investors in financial institutions and financial service providers of the Party of which it forms a part.

5. Differences in market share, profitability or size do not in themselves establish a breach of the obligations under this Article.

Article 12.04. Most-Favoured-Nation Treatment

1. Each Party shall accord to an investor of the other Party, a financial institution of the other Party, an investment of an investor in a financial institution and a cross-border financial service supplier of the other Party treatment no less favourable than that it accords to the investors, financial institutions, investments of investors in financial institutions and cross-border financial service suppliers of a non-Party, in like circumstances.

2. A Party may recognize a prudential measure of a non-Party in the application of a measure covered by this Chapter. Such recognition may be:

(a) accorded unilaterally;

(b) achieved through harmonization or other means; or

(c) based upon an agreement or arrangement with the non-Party.

3. A Party according recognition of a prudential measure under paragraph 2 shall provide adequate opportunity to the other Party to demonstrate that circumstances exist in which there are or will be equivalent regulation, oversight, implementation of regulation, and, if appropriate, procedures concerning the sharing of information between the Parties.

4. If a Party accords recognition of prudential measures under subparagraph 2(c) and the circumstances set out in paragraph 3 exist, the Party shall provide adequate opportunity to the other Party to negotiate accession to the agreement or arrangement, or to negotiate a comparable agreement or arrangement.

Article 12.05. Right of Establishment

1. A Party shall permit an investor of the other Party that does not own or control a financial institution in the Party's territory to establish, without the imposition of numerical restrictions or requirements to take a specific juridical form, a financial institution that is permitted to supply a financial service that a like institution of the Party may supply under the domestic law of the Party at the time of establishment. The obligation not to impose a requirement to take a specific juridical form does not prevent a Party from imposing a condition or requirement in connection with the establishment of a particular type of entity chosen by an investor of the other Party.

2. A Party shall permit an investor of the other Party that owns or controls a financial institution in the Party's territory to establish in that territory such additional financial institutions as may be necessary for the supply of the full range of financial services allowed under the domestic law of the Party at the time of establishment of the additional financial institutions. Subject to Article 12.03, a Party may impose a term or condition on the establishment of additional financial institutions and determine the institutional and juridical form to be used to supply a specified financial service or to carry out of a specified activity.

3. The right of establishment under paragraphs 1 and 2 includes the acquisition of an existing entity.

4. Subject to Article 12.03, a Party may prohibit a particular financial service or activity. Such a prohibition may not apply to all financial services or to a complete financial services sub-sector such as banking.

5. For the purpose of this Article, without prejudice to other forms of prudential regulation, a Party may require that an investor of the other Party be engaged in thebusiness of providing financial services in the territory of that other Party.

6. For the purpose of this Article, "numerical restrictions" means limitations imposed either on the basis of a regional subdivision or on the basis of the entire territory of a Party, on the number of financial institutions whether in the form of a numerical quota, a monopoly, an exclusive service supplier or the requirements of an economic needs test.

Article 12.06. Cross-Border Trade

1. Each Party shall permit, under terms and conditions that accord national treatment, a cross-border financial service supplier of the other Party to supply a financial service specified in Annex 12.06.

2. Each Party shall permit a person located in its territory, and its nationals wherever located, to purchase a financial service from a cross-border financial service supplier of the other Party located in the territory of the other Party. Subject to paragraph 1, this obligation does not require a Party to permit that supplier to do business or solicit in its territory. Each Party may define "doing business" and "solicitation" for the purposes of this Article.

3. Without prejudice to other means of prudential regulation of cross-border trade in financial services, a Party may require the registration of cross-border financial service suppliers of the other Party and of financial instruments.

Article 12.07. New Financial Services

1. A Party shall permit a financial institution of the other Party to supply a new financial service that the first Party would permit its own financial institutions, in like circumstances, to supply under its domestic law. A Party may:

(a) require the financial institution to request permission or notify the relevant regulator in order to obtain that permission; and

(b) refuse to grant permission if the introduction of the financial service would require the Party to adopt or amend statutes.

2. A Party may determine the institutional and juridical form through which the new financial service may be supplied and may require authorization for the supply of the service. Where a Party would permit the new financial service and authorization is required, the decision shall be made within a reasonable time and authorization may only be refused for

prudential reasons.

3. This Article does not prevent a financial institution of a Party from applying to the other Party to consider authorizing the supply of a financial service that is not supplied within either Party's territory. That application is subject to the domestic law of the Party receiving the application and is not subject to the obligations of this Article.

Article 12.08. Treatment of Certain Information

This Chapter does not require a Party to furnish or allow access to:

(a) information related to the financial affairs and accounts of an individual customer of a financial institution or a cross-border financial service supplier; or

(b) confidential information which if disclosed would impede law enforcement or otherwise be contrary to the public interest or prejudice legitimate commercial interests of a particular enterprise.

Article 12.09. Senior Management and Boards of Directors

1. A Party may not require a financial institution of the other Party to engage natural persons of any particular nationality as senior managerial or other essential personnel.

2. A Party may not require that more than a simple majority of the board of directors of a financial institution of the other Party be composed of nationals of the Party or natural persons residing in the territory of the Party.

Article 12.10. Non-Conforming Measures

1. Articles 12.03, 12.04, 12.05 and 12.09 do not apply to:

(a) an existing non-conforming measure maintained by:

(i) the national government of a Party, as set out in Section I of its Schedule to Annex III, or

(ii) a sub-national government of a Party;

(b) the continuation or prompt renewal of a non-conforming measure referred to in subparagraph (a); or

(c) an amendment to a non-conforming measure referred to in subparagraph (a) to the extent that the amendment does not decrease the conformity of the measure, as it existed immediately before the amendment, with Articles 12.03, 12.04, 12.05 and 12.09.

2. Article 12.06 does not apply to:

(a) an existing non-conforming measure that is maintained by:

(i) the national government of a Party, as set out in Section I of its Schedule to Annex III, or

(ii) a sub-national government of a Party;

(b) the continuation or prompt renewal of a non-conforming measure referred to in subparagraph (a); or

(c) an amendment to a non-conforming measure referred to in subparagraph (a) to the extent that the amendment does not decrease the conformity of the measure, as it existed upon the entry into force of this Agreement, with Article 12.06.

3. Articles 12.03, 12.04, 12.05, 12.06 and 12.09 do not apply to a non-conforming measure that a Party adopts or maintains in accordance with Section II of its Schedule to Annex III.

4. Section III of each Party's Schedule to Annex II sets out specific commitments by that Party. These commitments are subject to a Party's right to apply a non- conforming measure adopted or maintained in accordance with Section II of its Schedule to Annex III.

5. Where a Party has set out a reservation to Article 9.04 (Investment - National Treatment), 9.05 (Investment - Most-Favoured-Nation Treatment), 10.03 (Cross-Border Trade in Services - National Treatment) or 10.04 (Cross-Border Trade in Services - Most-Favoured-Nation Treatment) in its Schedule to Annex I or II, the reservation also constitutes a reservation to Article 12.03 or 12.04 to the extent that the measure, sector, sub-sector or activity set out in the reservation is covered by

this Chapter.

Article 12.11. Exceptions

1, This Chapter or Chapter Nine (Investment), Ten (Cross-Border Trade in Services), Eleven (Telecommunications), Thirteen (Temporary Entry for Business Persons), Fourteen (Competition Policy, Monopolies and State Enterprises), or Fifteen (Electronic Commerce) do not prevent a Party from adopting or maintaining a measure for prudential reasons, including for the protection of investors, depositors, policy holders or persons to whom a fiduciary duty is owed by a financial institution or cross-border financial service supplier, or to ensure the integrity and stability of the financial system. Where these measures do not conform with the provisions of this Agreement referred to in this paragraph, they shall not be used as a means of avoiding the Party's obligations under those provisions.

2. This Chapter or Chapter Nine (Investment), Ten (Cross-Border Trade in Services), Eleven (Telecommunications), Thirteen (Temporary Entry for Business Persons), Fourteen (Competition Policy, Monopolies and State Enterprises), or Fifteen (Electronic Commerce) does not apply to non-discriminatory measures of general application taken by any public entity in pursuit of monetary and related credit policies or exchange rate policies. This paragraph does not affect a Party's obligations under Article 9.07 (Investment - Performance Requirements) with respect to measures covered by Chapter Nine (Investment) or Article 9.10 (Investment - Transfers) or 10.11 (Cross-Border Trade in Services - Transfers and Payments).

3. Notwithstanding Article 9.10 (Investment - Transfers) and 10.11 (Cross-Border Trade in Services - Transfers and Payments) a Party may prevent or limit transfers by a financial institution or cross-border financial service supplier to, or for the benefit of, an affiliate of or person related to such institution or supplier, through the equitable, non- discriminatory and good-faith application of measures relating to maintenance of the safety, soundness, integrity or financial responsibility of financial institutions or cross- border financial service suppliers.

4. A Party may adopt or enforce a measure necessary to secure compliance with its laws or regulations that is not inconsistent with this Chapter, including a measure relating to the prevention of deceptive and fraudulent practices or to deal with the effects of a default on financial services contracts. A Party may not apply that measure in a manner that would constitute a means of arbitrary or unjustifiable discrimination between countries where like conditions prevail, or a disguised restriction on investment in a financial institution or on a cross-border trade in financial services.

Article 12.12. Transparency

1. The Parties recognize that transparent regulations and policies governing the activities of financial institutions and financial service suppliers are important in facilitating access of financial institutions and financial service suppliers to, and their operations in, each other's markets. Each Party commits to promoting regulatory transparency in financial services.

2. Each Party shall ensure that a measure of general application to which this Chapter applies is administered in a reasonable, objective and impartial manner.

3. Article 20.02 (Transparency - Publication) does not apply to a regulation of general application that a Party proposes to adopt where that proposed regulation relates to the subject matter of this Chapter. For that regulation each Party shall, to the extent practicable:

(a) publish that proposed regulation in advance;

(b) provide interested persons and the other Party a reasonable opportunity to comment on that proposed regulation; and

(c) allow a reasonable period of time to elapse between final publication of the regulation and its effective date.

4. Each Party shall ensure that its regulatory authorities make available to interested persons their requirements, including any documentation required, for completing applications relating to the supply of a financial service.

5. On the request of an applicant, a regulatory authority shall inform the applicant of the status of its application. If that authority requires additional information from the applicant, it shall promptly notify the applicant.

6. A regulatory authority shall make an administrative decision on a completed application of an investor in a financial institution, cross-border financial service supplier or a financial institution of the other Party relating to the supply of a financial service within 120 days, and shall promptly notify the applicant of the decision. An application shall not be considered complete until all relevant hearings are held and all necessary information is received. Where it is not practicable for a decision to be made within 120 days, the regulatory authority shall promptly notify the applicant and shall endeavour to make the decision within a reasonable time.

7. Each Party shall adopt or maintain appropriate mechanisms that will promptly respond to inquiries from an interested person regarding a measure of general application covered by this Chapter.

Article 12.13. Self-Regulatory Organizations

If a Party requires a financial institution or a cross-border financial service supplier of the other Party to be a member of, participate in, or have access to, a self-regulatory organisation to provide a financial service in or into the territory of that Party then the requiring Party shall ensure that the self-regulatory organisation observes the obligations of this Chapter.

Article 12.14. Payment and Clearing Systems

Under terms and conditions that accord national treatment, each Party shall grant to a financial institution of the other Party established in its territory access to payment and clearing systems operated by an entity exercising governmental authority delegated to it by a Party as well as access to official funding and refinancing facilities available in the normal course of ordinary business. This Article does not confer access to the Party's lender of last resort facilities.

Article 12.15. Financial Services Committee

1, The Parties establish a Financial Services Committee (the "Committee"). The principal representative of each Party shall be an official of the Party's authority responsible for financial services set out in Annex 12.15.

2. The Committee shall:

(a) supervise the implementation of this Chapter and its further elaboration;

(b) consider issues regarding financial services that are referred to it by a Party; and

(c) participate in dispute settlement procedures under Article 12.17.

3. The Committee shall meet annually, or as it otherwise decides, to assess the functioning of this Agreement as it applies to financial services. The Committee shall inform the Commission of the results of each meeting.

Article 12.16. Consultations

1. A Party may request consultations with the other Party regarding a matter arising under this Agreement that affects a financial service. The other Party shall give sympathetic consideration to the request. The Parties shall report the results of their consultations to the Committee.

2. Officials of the authorities specified in Annex 12.15 shall participate in the consultations under this Article.

3. A Party may request that regulatory authorities of the other Party participate in consultations under this Article regarding that other Party's measures of general application which may affect the operations of financial institutions or cross-border financial service suppliers in the requesting Party's territory.

4. A regulatory authority participating in consultations pursuant to paragraph 3 need not disclose information or take any action that would interfere with specific regulatory, supervisory, administrative or enforcement matters.

5. Where a Party requires information for a supervisory purpose concerning a financial institution in the other Party's territory or a cross-border financial service supplier in the other Party's territory, the Party may approach the competent regulatory authority in the other Party's territory to seek the information.

6. A Party is not required to derogate from its relevant domestic law regarding sharing of information among financial regulators or the requirements of an agreement or arrangement between financial authorities of the Parties.

Article 12.17. Dispute Settlement

1. The Provisions of Chapter Twenty-Two (Dispute Settlement), as modified by this Article, applies to the settlement of disputes arising under this Chapter.

2. Consultations held under Article 12.16 regarding a measure or matter constitute a consultation under Article 22.05 (Dispute Settlement - Consultation), unless the Parties otherwise decide. If the matter has not been resolved within 45 days of the beginning of consultations under Article 12.16 or 90 days of the delivery of the request for consultations under Article

12.16, whichever is earlier, the complaining Party may request in writing that a panel be established.

3. The following procedures replace Article 22.08 (Dispute Settlement - Panel Selection):

(a) the panel shall be composed of three members;

(b) each Party shall, within 30 days of receipt of the request for the establishment of the panel, appoint a panelist who may be a national of that Party and notify the other Party in writing of the appointment; if a Party fails to appoint a panelist within 30 days, the other Party may request the Appointing Authority to appoint, at its discretion the panelist not yet appointed, subject to paragraph 4;

(c) the Parties shall endeavour to jointly appoint the third panelist who shall chair the panel; unless the Parties decide otherwise, this panelist shall not be a national of either Party; if the chair of the panel has not been appointed within 30 days of the most recent appointment under subparagraph (b), either Party may request that the Appointing Authority appoint at its discretion, subject to paragraph 4, the chair of the panel, who shall not be a national of either Party;

(d) subparagraphs (b) and (c) apply where a panelist or the chair of the panel withdraws, is removed or becomes unable to serve on the panel. In such a case, the time periods applicable to the panel proceeding shall be suspended for a period beginning on the date a panelist ceases to serve and ending on the date the replacement is appointed.

4. Each panelist on panels constituted for disputes arising under this Chapter shall have the qualifications required by Article 22.09 (Dispute Settlement - Qualifications of Panelists) with the exception of Article 22.09(d). In addition, each panelist shall have expertise or experience in financial services law or practice, which may include the regulation of financial institutions.

5. If a panel finds that a measure is inconsistent with the obligations of this Agreement and the measure affects:

(a) only the financial services sector, the complaining Party may suspend benefits only in the financial services sector;

(b) the financial services sector and another sector, the complaining Party may suspend benefits in the financial services sector that have an effect equivalent to the effect of the measure in the Party's financial services sector; or

(c) only a sector other than the financial services sector, the complaining Party may not suspend benefits in the financial services sector.

Article 12.18. Investment Disputes In Financial Services

1. Where an investor of a Party submits a claim under Article 9.20 (Investment - Claim by an Investor of a Party on Its Own Behalf) or 9.21 (Investment - Claim by an Investor of a Party on Behalf of an Enterprise) to arbitration under Section C of Chapter 9 (Investment â Settlement of Disputes between an Investor and the Host Party) and the responding Party invokes an exception under Article 12.11, on request of the responding Party, the Tribunal shall refer the matter in writing to the Committee for a decision in accordance with paragraph 2. The Tribunal may not proceed pending receipt of a decision or report under this Article.

2. In a referral under paragraph 1, the Committee shall decide the issue of whether and to what extent Article 12.11 is a valid defence to the claim of the investor. The Committee shall transmit a copy of its decision to the Tribunal and to the Commission.

The decision is binding on the Tribunal.

3. Where the Committee has not decided the issue within 60 days of the receipt of the referral under paragraph 1, either Party may within 10 days request that a panel be established under Article 22.07 (Dispute Settlement â Establishment of a Panel) to decide the issue. The panel shall be constituted in accordance with Article 12.17. The panel shall transmit its final report, established in accordance with Article 22.11 (Dispute Settlement - Panel Reports), to the Committee and to the Tribunal. The report is binding on the Tribunal.

4. Where a request for the establishment of a panel under paragraph 3 has not been made within 10 days of the expiration of the 60-day period referred to in paragraph 3, the Tribunal may proceed to decide the matter.

Chapter Thirteen. TEMPORARY ENTRY FOR BUSINESS PERSONS

Article 13.01. Definitions

For purposes of this Chapter:

business person means a national of a Party engaged in trading goods, providing services or conducting investment activities;

executive means a business person within an organization who:

(a) primarily directs the management of the organization or a major component or function of the organization;

(b) establishes the goals and policies of the organization, or of a component or function of the organization; and

(c) exercises wide latitude in decision-making and receives only general supervision or direction from higher-level executives, the board of directors or stockholders of the business organization;

management trainee on professional development means an employee with a post- secondary degree who is on a temporary work assignment intended to broaden that employee's knowledge of and experience in a company in preparation for a senior leadership position within the company;

manager means a business person within an organization who:

(a) primarily directs the organization or a department or sub-division of the organization;

(b) supervises and controls the work of other supervisory, professional or managerial employees;

(c) has the authority to hire and fire or take other personnel actions (such as promotion or leave authorization); and

(d) exercises discretionary authority over day-to-day operations; persons engaged in a specialty occupation means nationals of a Party engaged in a specialty occupation requiring:

(a) the theoretical and practical application of a body of specialized knowledge and any appropriate certification/license to practice; and

(b) a post-secondary degree in a specialty requiring four or more years of study as a minimum for entry into the occupation; those minimum requirements for entry are defined: (i) for Canada, in the National Occupation Classification, and (ii) for Panama, in the domestic law regulating each profession;

specialist means an employee possessing specialized knowledge of the company's products or services and their application in international markets, or an advanced level of expertise or knowledge of the company's processes and procedures;

specialty occupation means, for Canada, an occupation that falls within the National Occupation Classification levels O or A; and

temporary entry means entry into one Party's territory by a business person of the other Party without the intent to establish permanent residence.

Article 13.02. General Principles

Further to Article 13.03 (General Obligations), this Chapter reflects the preferential trading relationship between the Parties, the desirability of facilitating temporary entry on a reciprocal basis and of establishing transparent criteria and procedures for temporary entry in accordance with Annex 13.03, and the need to ensure border security and to protect the domestic labour force and permanent employment in their respective territories.

Article 13.03. General Obligations

Each Party shall apply its respective measures relating to the provisions of this Chapter in accordance with Article 13.02, including expeditiously applying those measures so as to avoid unduly impairing or delaying trade in goods or services or investment activities under this Agreement.

Article 13.04. Grant of Temporary Entry

1. A Party shall grant temporary entry to a business person who complies with existing immigration measures applicable to temporary entry under this Chapter, including Annex 13.04.

2. A Party may refuse to issue a work permit or authorization to a business person where the temporary entry of that person might adversely affect:

(a) the settlement of any existing labour dispute at the place or intended place of employment; or

(b) the employment of any person who is involved in that dispute.

3. Each Party shall limit its respective fees for processing applications for temporary entry of a business person to the approximate cost of services rendered.

Article 13.05. Provision of Information

1. Further to Article 20.03 (Transparency - Notification and Provision of Information), and recognizing the importance to the Parties of transparency of temporary entry information, each Party shall make available, through electronic or other means, information on its measures relating to this Chapter.

2. Each Party shall, subject to its domestic law regarding protection of private information:

(a) collect and maintain statistical data respecting the granting of temporary entry under this Chapter to business persons of the other Party who have been issued a work permit or authorization; and

(b) on request of the other Party, make available the information referred to in subparagraph (a).

Article 13.06. Contact Points

1. The Parties establish the following contact points:

(a) In the Case of Canada:

Director

Temporary Resident Policy and Program Development Division Immigration Branch Citizenship and Immigration Canada

(b) in the case of Panama:

Director

National Immigration Service Director National Directorate of Employment, Ministry of Labour and Labour Development

or the occupants of any successor position notified to the other Party through the Coordinators.

2. The Contact Points shall meet as necessary to exchange information as described in Article 13.05 and to consider matters pertaining to this Chapter, such as:

(a) the implementation and administration of this Chapter;

(b) the development and adoption of common criteria, definitions and interpretations for the implementation of this Chapter;

(c) the development of measures to further facilitate temporary entry of business persons on a reciprocal basis; and

(d) proposed modifications to this Chapter.

3. The Contact Points shall meet within three years of the entry into force of this Agreement to consider further liberalization to enhance the temporary entry of business persons.

Article 13.07. Dispute Settlement

1. A Party may not initiate proceedings under Chapter Twenty-Two (Dispute Settlement) regarding a refusal to grant temporary entry under this Chapter unless:

(a) the matter involves a pattern of practice; and

(b) the business person who has been refused temporary entry has exhausted the applicable administrative remedies, which do not include judicial remedies.

2. The remedies referred to in paragraph (1)(b) shall be deemed to have been exhausted if a final determination in the matter has not been issued by the competent authority within one year of the institution of an administrative proceeding,

and the failure to issue a determination is not attributable to delay caused by the business person.

Article 13.08. Relation to other Chapters

This Agreement does not impose an obligation on a Party regarding its immigration measures, except as specifically provided in this Chapter or Chapter 20 (Transparency)

Chapter Fourteen. COMPETITION POLICY, MONOPOLIES AND STATE ENTERPRISES

Article 14.01. Definitions

For purposes of this Chapter:

covered investment means "covered investment" as defined in Article 9.01 (Investment - Definitions);

designate means to establish, authorize, or to expand the scope of a monopoly to cover an additional good or service after the date of entry into force of this Agreement;

government monopoly means a monopoly owned or controlled through ownership interests by the national government of a Party, or by another such monopoly;

in accordance with commercial considerations means consistent with normal business practices of privately held enterprises in the relevant business sector or industry;

market means the geographic and commercial market for a good or service;

monopoly means an entity, including a consortium or government agency, that in a relevant market in the territory of a Party is designated as the sole provider or purchaser of a good or service, but does not include an entity that has been granted an exclusive intellectual property right solely by reason of such grant;

non-discriminatory treatment means the better of national treatment or most-favoured- nation treatment as set out in the relevant provisions of this Agreement; and

state enterprise means an enterprise owned or controlled through ownership interests by a Party, except as set out in Annex 14.04.

Article 14.02. Competition Policy

1. Each Party shall adopt or maintain measures to proscribe anti-competitive business conduct and take appropriate action regarding that conduct, recognizing that those measures will enhance the fulfilment of the objectives of this Agreement. To this end the Parties shall discuss from time to time the effectiveness of measures undertaken by each Party. The measures each Party adopts or maintains to proscribe anti-competitive business conduct and the enforcement actions it takes pursuant to those measures shall be consistent with principles of transparency, non-discrimination and procedural fairness. Exclusions from these measures shall be transparent.

2. Each Party shall maintain its independence in developing and enforcing its competition law.

3. Each Party recognizes the importance of cooperation and coordination between their competition authorities to further effective competition law enforcement in the free trade area. The Parties shall cooperate on matters relating to the enforcement of competition laws and policies in the free trade area. In this regard, the Parties, through their respective competition authorities, shall negotiate a cooperation instrument that may address, among other matters, notification, consultation, positive and negative comity, technical assistance and exchange of information.

4. To promote understanding between the Parties, or to address specific matters that arise under this Chapter, a Party shall enter into discussions on request of the other Party. The requesting Party shall indicate in its request how the matter affects trade or investment between the Parties. The other Party shall give full and sympathetic consideration to the concerns of the requesting Party.

Article 14.03. Designated Monopolies

1. This Agreement does not prevent a Party from designating a monopoly.

2. Where a Party intends to designate a monopoly and the designation may affect the interests of a person of the other Party, the designating Party shall, wherever possible, provide prior written notification of the designation to the other Party.

3. Each Party shall ensure that a privately owned monopoly that it designates or a government monopoly that it maintains or designates:

(a) acts in a manner that is not inconsistent with the Party's obligations under this Agreement wherever such a monopoly exercises a regulatory, administrative, or other governmental authority that the Party has delegated to it in connection with the monopoly good or service, such as the power to grant import or export licenses, approve commercial transactions, or impose quotas, fees, or other charges;

(b) acts solely in accordance with commercial considerations in its purchase or sale of the monopoly good or service in the relevant market, including with regard to price, quality, availability, marketability, transportation, and other terms and conditions of purchase or sale, except to comply with a term of its designation that is not inconsistent with subparagraphs (c) or (d);

(c) provides non-discriminatory treatment to covered investments, to goods of the other Party, and to service suppliers of the other Party in its purchase or sale of the monopoly good or service in the relevant market; and

(d) does not use its monopoly position to engage directly or indirectly, including through its dealings with its parent, its subsidiaries or other enterprises with common ownership, in anticompetitive practices in a non- monopolized market in its territory that adversely affect a covered investment.

4. Paragraph 3 does not apply to procurement by a government of a good or service for governmental purposes as long as the good or service is not intended for:

(a) commercial sale or resale; or

(b) use in the production or supply of a good or service for commercial sale or resale.

Article 14.04. State Enterprises

1. This Agreement does not prevent a Party from establishing or maintaining a state enterprise.

2. Each Party shall ensure that a state enterprise that it establishes or maintains acts in a manner that is consistent with the Party's obligations under Chapters Nine (Investment) and Twelve (Financial Services) whenever that enterprise exercises a regulatory, administrative, or other governmental authority that the Party has delegated to it, such as the power to expropriate, grant licenses, approve commercial transactions, or impose quotas, fees, or other charges.

3. Each Party shall ensure that a state enterprise that it establishes or maintains accords non-discriminatory treatment in the sale of its goods or services to covered investments.

Article 14.05. Dispute Settlement

1. A Party may not have recourse to dispute settlement under Chapter Twenty-Two (Dispute Settlement) for a matter arising under this Chapter except for those matters arising under Articles 14.03 and 14.04.

2. An investor may not have recourse to investor-state dispute settlement under Article 9.20 (Investment – Claim by an Investor of a Party on Its Own Behalf) or Article 9.21 (Investment – Claim by an Investor of a Party on Behalf of an Enterprise) for a matter arising under this Chapter except for a matter arising under Article 14.03(3)(a) or Article 14.04(2).

Chapter Fifteen. ELECTRONIC COMMERCE

Article 15.01. Definitions

For purposes of this Chapter:

delivered electronically means delivered through telecommunications, alone or in conjunction with other information and communication technologies;

digital product means a computer program, text, video, image, sound recording or other product that is digitally encoded; and

electronic commerce means commerce conducted through telecommunications, alone or in conjunction with other information and communication technologies.

Article 15.02. Scope and Coverage

1. The Parties confirm that this Agreement, including Chapter 2 (National Treatment and Market Access for Goods), Chapter 9 (Investment), Chapter 10 (Cross-Border Trade in Services), Chapter 11 (Telecommunications), Chapter 12 (Financial Services), Chapter 16 (Government Procurement) and Chapter 23 (Exceptions) applies to electronic commerce. In particular, the Parties recognize the importance of Article 11.03 (Telecommunications - Access to and Use of Public Telecommunications Transport Networks or Services) in enabling electronic commerce.

2. Nothing in this Chapter imposes an obligation on a Party to allow a product to be delivered electronically, except in accordance with the obligations of that Party under another Chapter of this Agreement.

3. For greater certainty, a Party's reservations set out in its Schedule to Annex I, II or III apply to electronic commerce.

Article 15.03. General Provisions

1. The Parties recognize the economic growth and opportunities provided by electronic commerce and the applicability of WTO rules to electronic commerce.

2. Considering the potential of electronic commerce as a social and economic development tool, the Parties recognize the importance of:

(a) clarity, transparency and predictability in their domestic regulatory frameworks in facilitating, to the maximum extent possible, the development of electronic commerce;

(b) encouraging self-regulation by the private sector to promote trust and confidence in electronic commerce, having regard to the interests of users, through initiatives such as industry guidelines, model contracts and codes of conduct;

(c) interoperability, innovation and competition in facilitating electronic commerce,

(d) ensuring that global and domestic electronic commerce policy takes into account the interest of all stakeholders, including business, consumers, non-government organizations and relevant public institutions; and

(e) sharing information and experiences on laws, regulations and programmes in order to facilitate the use of electronic commerce by micro-, small- and medium-sized enterprises.

3. Each Party shall endeavour to adopt measures to facilitate electronic commerce that address issues relevant to the electronic environment.

4. The Parties recognize the importance of avoiding unnecessary barriers to electronic commerce. Having regard to its national policy objectives, each Party shall endeavour to guard against measures that:

(a) unduly hinder electronic commerce; or

(b) have the effect of treating electronic commerce more restrictively than commerce conducted by other means.

Article 15.04. Customs Duties on Digital Products Delivered Electronically

1. A Party shall not apply a customs duty, fee or charge on a digital product delivered electronically.

2. For greater clarity, paragraph 1 does not prevent a Party from imposing an internal tax or other internal charge not prohibited by this Agreement on a digital product delivered electronically.

Article 15.05. Relation to other Chapters

In the event of an inconsistency between this Chapter and another Chapter of this Agreement, the other Chapter prevails.

Chapter Sixteen. GOVERNMENT PROCUREMENT

Article 16.01. Definitions

For the purposes of this Chapter:

commercial good or service means a good or service of a type generally sold or offered for sale in the commercial marketplace to, and customarily purchased by, non-governmental buyers for non-governmental purposes;

conditions for participation means a registration, qualification or other prerequisites for participation in a procurement;

construction service means a contractual arrangement for the realization by any means of civil or building works paid for:

(a) directly by the Party; or

(b) for a specified period of time, through any grant to the supplier of temporary ownership or a right to control and operate, and demand payment for the use of those works, for the duration of the contract;

in writing or written means a worded or numbered expression that can be read, reproduced and later communicated; it may include electronically transmitted and stored information;

limited tendering means a procurement method where the procuring entity contacts a supplier or suppliers of its choice;

multi-use list means a list of suppliers that a procuring entity has determined satisfy the conditions for participation in that list, and that the procuring entity intends to use more than once;

notice of intended procurement means a notice published by a procuring entity inviting interested suppliers to submit a request for participation or a tender;

offsets means a condition or undertaking that encourages local development or improves a Party's balance-of-payments accounts, such as the use of domestic content, the licensing of technology, investment, counter-trade or similar actions or requirements;

open tendering means a procurement method where all interested suppliers may submit a tender;

procurement means the process by which a government obtains the use of or acquires a good or service for governmental purposes and not with a view to commercial sale or resale, or use in the production or supply of a good or service for commercial sale or resale;

procuring entity means an entity listed in Annexes 1 and 2 of Canada and Panama's schedules to this Chapter;

selective tendering means a procurement method where only suppliers satisfying the conditions for participation are invited by the procuring entity to submit a tender;

service includes a construction service, unless otherwise specified;

standard means a document approved by a recognized body that provides, for common and repeated use, rules, guidelines or characteristics for a good or service, or related processes and production methods, with which compliance is not mandatory; it may also include or deal exclusively with terminology, symbols, packaging, marking or labelling requirements as they apply to a good, service, process or production method;

supplier means a person that provides or could provide a good or service to a procuring entity; and

technical specification means a tendering requirement that:

(a) lays down the characteristics of a good or service to be procured, including quality, performance, safety and dimensions, or the processes

and methods for their production or provision; or (b) addresses terminology, symbols, packaging, marking or labelling requirements, as they apply to a good or service.

Article 16.02. Scope and Coverage

Application of Chapter

1. This Chapter applies to a measure adopted or maintained by a Party relating to procurement by a procuring entity listed in Annex I to Canada or Panama Schedule to this Chapter:

(a) by a contractual means, including purchase and rental or lease, with or without an option to buy;

(b) for which the value, as estimated in accordance with paragraph 5, equals or exceeds the relevant threshold specified in Annex I to Canada or Panama Schedule to this Chapter; and

(c) subject to the terms of Annex I to Canada or Panama Schedule to this Chapter.

2. This Chapter does not apply to:

(a) the acquisition or rental of land, existing buildings or other immovable property or the rights thereon;

(b) a non-contractual agreement or form of assistance that a Party, including a state enterprise, provides, including a grant, loan, equity infusion, fiscal incentive, subsidy, guarantee or cooperative agreement;

(c) government provision of a good or service to a person or to a sub-national government;

(d) a purchase for the direct purpose of providing foreign assistance;

(e) a purchase funded by an international grant, loan or other assistance if the provision of that assistance is subject to conditions inconsistent with this Chapter;

(f) the procurement or acquisition of a fiscal agency or depository service, liquidation and management service for regulated financial institutions, or a service related to the sale, redemption and distribution of public debt, including loans and government bonds, notes and other securities; this Chapter does not apply to procurement of a banking, financial or specialized service related to:

(i) the incurring of public indebtedness, or

(ii) public debt management;

(g) the hiring of a government employee or related employment measure;

(h) a procurement made by an entity or state enterprise from another entity or state enterprise of that Party; or

(i) a purchase made under exceptionally advantageous conditions that only arise in the very short term in the case of an unusual disposal such as one arising from liquidation, receivership or bankruptcy, but not for a routine purchase from a regular supplier.

3. Nothing in this Chapter prevents a Party from developing new procurement policies, procedures or contractual means, provided they are not inconsistent with this Chapter.

4. If a procuring entity awards a contract that is not covered by this Chapter, this Chapter does not cover a good or service component of that contract.

Valuation

5. In estimating the value of a procurement for the purpose of ascertaining whether it is a procurement covered by this Chapter, a procuring entity:

(a) shall not divide a procurement into separate procurements or select or use a particular valuation method for estimating the value of a procurement with the intention of totally or partially excluding it from the application of this Chapter;

(b) shall include the estimated maximum total value of the procurement over its entire duration, whether awarded to one or more suppliers, taking into account all forms of remuneration, including:

(i) premiums, fees, commissions and interest, and

(ii) the estimated maximum total value of the procurement, inclusive of optional purchases, if the procurement provides for the possibility of option clauses; and

(c) shall base its calculation of the total maximum value of the procurement over its entire duration, if the procurement is to be conducted in multiple parts, with contracts to be awarded at the same time or over a given period to one or more suppliers.

Article 16.03. Security and General Exceptions

1. Nothing in this Chapter prevents a Party from taking action or not disclosing information that it considers necessary for the protection of its essential security interests relating to procurement:

(a) of arms, ammunition or war materials;

(b) indispensable for national security; or

(c) for national defence purposes.

2. Provided that a measure is not applied in a manner that would constitute a means of arbitrary or unjustifiable discrimination between Parties if the same conditions prevail or a disguised restriction on trade between the Parties, nothing in this Chapter prevents a Party from adopting or maintaining a measure:

(a) necessary to protect public morals, order or safety;

(b) necessary to protect human, animal or plant life or health;

(c) necessary to protect intellectual property; or

(d) relating to goods or services of persons with disabilities, philanthropic institutions or prison labour.

3. The Parties understand that paragraph 2(b) includes an environmental measure necessary to protect human, animal or plant life or health.

Article 16.04. General Principles

National Treatment and Non-Discrimination

1. With respect to a measure relating to procurement covered by this Chapter, each Party shall accord immediately and unconditionally to a good or service of the other Party, and to a supplier of the other Party of such good or service, treatment no less favourable than the most favourable treatment the Party accords to a domestic good, service or supplier.

2. With respect to a measure relating to procurement covered by this Chapter, a Party shall not:

(a) treat a locally established supplier less favourably than another locally established supplier on the basis of the degree of foreign affiliation or ownership; or

(b) discriminate against a locally established supplier on the basis that the good or service offered by that supplier for a particular procurement is a good or service of the other Party.

Conduct of Procurement

3. A procuring entity shall conduct procurement covered by this Chapter in a transparent and impartial manner that:

(a) is consistent with this Chapter;

(b) avoids conflicts of interest; and

(c) prevents corrupt practices.

Tendering Procedures

4. A procuring entity shall use open tendering except where Articles 16.07(6) through 16.07(9) or Article 16.10 apply.

Rules of Origin

5. With regard to the procurement of a good covered by this Chapter, each Party shall apply the rules of origin that it applies to that good in the normal course of trade.

Offsets

6. A Party, including its procuring entities, shall not seek, take account of, impose or enforce offsets at any stage of a procurement covered by this Chapter.

Measures Not Specific to Procurement

7. Paragraphs 1 and 2 do not apply to:

(a) a customs duty or other charge referred to in paragraphs (a) through (d) of the definition of "customs duty" in Article 1.01, or the method of levying that duty or charge;

(b) another import regulation or formality; or

(c) a measure affecting trade in a service, other than a measure governing procurement covered by this Chapter.

Article 16.05. Publication of Procurement Information

1. Each Party shall:

(a) promptly publish a law, regulation, judicial decision, administrative ruling of general application, and procedure regarding procurement covered by this Chapter, and a modification of those measures, in an officially designated electronic or paper medium that is widely disseminated and remains readily accessible to the public; and

(b) on request of the other Party, provide it with an explanation of a measure that must be published under paragraph (a).

2. Article 20.02 (Transparency - Publication) does not apply to a measure that must be published under paragraph (a).

Article 16.06. Publication of Notices

Notice of Intended Procurement

1. For each procurement covered by this Chapter, a procuring entity shall publish a notice inviting suppliers to submit tenders, or a notice inviting applications to participate in the procurement. The procuring entity shall publish that notice in an electronic or paper medium that is widely disseminated and readily accessible to the public for the entire period established for tendering. Each Party shall maintain a gateway electronic site that includes links to all notices of procuring entities for procurements covered by this Chapter.

2. Each notice of intended procurement must include:

(a) a description of the procurement, including the nature and, if known, the quantity of the good or service to be procured;

(b) the procurement method that will be used and whether it will involve negotiation or electronic auction;

(c) a list of conditions for participation of suppliers;

(d) the name and address of the procuring entity and other information necessary to contact the procuring entity and obtain relevant documents relating to the procurement as well as their cost and terms of payment, if applicable;

(e) the address and time limits for the submission of tenders or applications for participation;

(f) the time frame for delivery of the good or service to be procured or the duration of the contract;

(g) if, under Article 16.07, a procuring entity intends to select a limited number of qualified suppliers to be invited to tender, the criteria that will be used to select them and, where applicable, any limitation on the number of suppliers that will be permitted to tender; and

(h) an indication that the procurement is covered by this Chapter.

Notice of Planned Procurement

3. The Parties shall encourage procuring entities to publish as early as possible in each fiscal year notices regarding their respective procurement plans. These notices should include the subject matter of any planned procurement and the estimated date of the publication of the notice of intended procurement.

Article 16.07. Conditions for Participation

General Requirements

1. Where a procuring entity requires a supplier to satisfy a registration, qualification or other requirement or conditions for participation in a separate process in order to participate in a procurement covered by this Chapter, the procuring entity shall publish a notice inviting suppliers to apply for participation. The procuring entity shall publish the notice sufficiently in advance to provide interested suppliers time to prepare and submit applications and to provide the procuring entity with sufficient time to evaluate and make its determination based on those applications.

2. A procuring entity shall limit conditions for participation in a procurement covered by this Chapter to those that are

essential to ensure that a supplier has the legal and financial capacity and the commercial and technical ability to undertake the relevant procurement.

3. In establishing the conditions for participation, a procuring entity:

(a) shall not impose the condition that, in order for a supplier to participate in a procurement, the supplier has previously been awarded a contract by a procuring entity of a Party; and

(b) may require relevant prior experience if essential to meet the requirements of the procurement.

4. In assessing whether a supplier satisfies the conditions for participation, a procuring entity shall:

(a) evaluate the financial capacity and the commercial and technical abilities of a supplier on the basis of that supplier's business activities inside and outside the territory of the Party of the procuring entity; and

(b) base its evaluation on the conditions that the procuring entity has specified in advance in its notices or tender documentation.

5. In assessing whether a supplier satisfies the conditions for participation, a procuring entity shall recognize as qualified all domestic suppliers and suppliers of the other Party that satisfy the conditions for participation.

Multi-use Lists

6. A procuring entity may establish or maintain a multi-use list of suppliers, provided that a notice inviting interested suppliers to apply for inclusion on the list is:

(a) published annually; and

(b) where published by electronic means, made available continuously.

7. The notice referred to in paragraph 6 must include:

(a) a description of the good or service, or category thereof, for which the list may be used;

(b) the conditions for participation to be satisfied by suppliers and the methods that the procuring entity will use to verify that a supplier satisfies those conditions;

(c) the name and address of the procuring entity and other information necessary to contact the procuring entity and to obtain relevant documents relating to the list;

(d) the period of validity of the list, the means for its renewal or termination, or, if the period of validity is not provided, an indication of the method by which notice will be given of the termination of the list; and

(e) an indication that the list may be used for procurement covered by this Chapter.

8. A procuring entity shall allow suppliers to apply at any time for inclusion on a multi-use list and shall include on the list all qualified suppliers within a reasonably short time.

Selective Tendering

9. If a procuring entity intends to use selective tendering, the procuring entity shall:

(a) publish a notice inviting suppliers to apply for participation in the procurement giving sufficient time for interested suppliers to prepare and submit applications and for the procuring entity to evaluate and make its determinations based on those applications; and

(b) allow all domestic suppliers and suppliers of the other Party that the entity has determined satisfy the conditions for participation to submit a tender, unless in the notice of intended procurement or, if publicly available, in the tender documentation, the procuring entity has stated a limitation on the number of suppliers that will be permitted to tender and the criteria for this limitation.

Information on Procuring Entity Decisions

10. A procuring entity shall promptly inform a supplier that submits an application for participation in a procurement or for inclusion on a multi-use list of the procuring entity's decision with respect to the application.

11. If a procuring entity:

(a) rejects a supplier's application for participation in a procurement or an application for inclusion on a multi-use list,

(b) ceases to recognize a supplier as qualified, or

(c) removes a supplier from a multi-use list,

the procuring entity shall promptly inform the supplier and, on request of the supplier, promptly provide the supplier with a written explanation of the reasons for its decision.

12. If there is supporting evidence, a procuring entity may exclude a supplier on grounds such as:

(a) bankruptcy;

(b) false declarations; or

(c) significant or persistent deficiencies in performance of a substantive requirement or of an obligation under a prior contract.

13. A procuring entity of a Party shall not adopt or maintain a registration system or qualification procedure with the purpose or the effect of creating an unnecessary obstacle to the participation of a supplier of the other Party in its procurement.

Article 16.08. Technical Specifications and Tender Documentation

Technical Specifications

1. A procuring entity shall not prepare, adopt, or apply a technical specification or prescribe a conformity assessment procedure with the purpose or the effect of creating an unnecessary obstacle to international trade between the Parties.

2. In prescribing the technical specifications for a good or service being procured, a procuring entity shall, where appropriate:

(a) specify the technical specification in terms of performance and functional requirements, rather than design or descriptive characteristics; and

(b) base the technical specification on an international standard, if it exists; otherwise, on a national technical regulation, recognized national standard or building code.

3. A procuring entity shall not prescribe a technical specification requiring or referring to a particular trademark or trade name, patent, copyright, design, type, specific origin, producer or supplier, unless there is no other sufficiently precise or intelligible way of describing the procurement requirement provided that, in those cases, the procuring entity includes words such as "or equivalent" in the tender documentation.

4. A procuring entity shall not seek or accept, in a manner that would have the effect of precluding competition, advice that may be used in the preparation or adoption of a technical specification for a specific procurement covered by this Chapter from a person that may have a commercial interest in the procurement.

5. A procuring entity may, in accordance with this Article, prepare, adopt or apply a technical specification to promote the conservation of natural resources or protect the environment.

Tender Documentation

6. A procuring entity shall make available to suppliers tender documentation that includes all information necessary to permit suppliers to prepare and submit responsive tenders. Unless already provided in the notice of intended procurement, that documentation shall include a complete description of:

(a) the procurement, including the nature and the quantity of the good or service to be procured or, if the quantity is not known, the estimated quantity and any requirements to be fulfilled, including any technical specification, conformity assessment certification, plan, drawing or instructional material;

(b) any condition for participation of a supplier, including a list of information and documents that suppliers are required to submit in connection with the conditions for participation;

(c) all evaluation criteria to be considered in the awarding of the contract, and the relative importance of that criteria, except where price is the sole criterion;

(d) where there will be a public opening of tenders, the date, time and place for the opening of tenders; and

(e) any other terms or conditions relevant to the evaluation of tenders.

7. A procuring entity shall promptly reply to a reasonable request for relevant information by a supplier participating in a procurement covered by this Chapter, except that the procuring entity shall not make available information with regard to a specific procurement in a manner that would give the requesting supplier an advantage over its competitors in the procurement.

Modifications

8. If, prior to the award of a contract, a procuring entity modifies the criteria or requirements set out in the notice of intended procurement or tender documentation provided to participating suppliers, or amends or reissues a notice or tender documentation, it shall transmit in writing that modified, amended or re-issued notice or tender documentation:

(a) to all suppliers that are participating in the procurement at the time of the modification, amendment or re-issuance, where those suppliers are known to the procuring entity, and, in all other cases, in the same manner as the original information was made available; and

(b) in adequate time to allow those suppliers to modify and submit amended tenders, as appropriate.

Article 16.09. Time Limits for the Submission of Tenders

1. A procuring entity shall provide suppliers sufficient time to submit applications to participate in a procurement covered by this Chapter and prepare and submit responsive tenders, taking into account the nature and complexity of the procurement.

Deadlines

2. Except as provided for in paragraphs 3 and 4, a procuring entity shall establish that the final date for the submission of tenders is not less than 40 days from the date on which:

(a) in the case of open tendering, the notice of intended procurement is published; or

(b) in the case of selective tendering, the procuring entity notifies suppliers that they will be invited to submit tenders, whether or not it uses a multi- use list.

3. A procuring entity may reduce by 5 days the time limit established under paragraph 2 for the submission of tenders, for each one of the following circumstances:

(a) the notice of intended procurement is published by electronic means;

(b) all the tender documentation is made available by electronic means from the date of the publication of the notice of intended procurement; and

(c) the procuring entity accepts tenders by electronic means.

4. A procuring entity may establish a time limit of less than 40 days for the submission of tenders provided that the time given to suppliers is sufficient to enable them to prepare and submit responsive tenders, but not less than 10 days before the final date for the submission of tenders, if:

(a) the procuring entity published a separate notice containing the information specified in Article 16.06(3) at least 40 days and not more than 12 months in advance, and such separate notice contains a description of the procurement, the relevant time limits for the submission of tenders, or, if applicable, applications for participation, and the address from which documents relating to the procurement may be obtained;

(b) there is a second or subsequent publication of notices for procurement of a recurring nature;

(c) the procuring entity procures a commercial good or service; or

(d) a state of urgency duly substantiated by the procuring entity renders impracticable the time limits specified in paragraph 2 or, if applicable, paragraph 3.

Article 16.10. Limited Tendering

1. Provided that a procuring entity does not use this provision to avoid competition among suppliers, to protect domestic suppliers, or in a manner that discriminates against suppliers of the other Party, the procuring entity may contact a supplier of its choice and may choose not to apply Articles 16.06, 16.07, 16.08, 16.09 and 16.11 only under the following circumstances, if:

(a) the requirements of the tender documentation are not substantially modified and:

(i) no tenders were submitted or no suppliers applied to participate in a procurement covered by this Chapter,

(ii) no tenders that conform to the essential requirements of the tender documentation were submitted,

(iii) no suppliers satisfied the conditions for participation, or

(iv) the tenders submitted have been collusive;

(b) the procurement can be carried out only by a particular supplier and a reasonable alternative or substitute does not exist because:

(i) the requirement is for a work of art,

(ii) a good or service being procured is protected by a patent, copyright or another exclusive right, or

(iii) of the absence of competition for technical reasons;

(c) for additional deliveries by the original supplier of a good or service that was not included in the initial procurement, a change of supplier for that additional good or service:

(i) cannot be made for economic or technical reasons, such as requirements of interchangeability or interoperability with existing equipment, software, services or installations procured under the initial procurement, and

(ii) would cause significant inconvenience or substantial duplication of costs to the procuring entity;

(d) the good is purchased on a commodity market;

(e) a procuring entity procures a prototype or a first good or service that is developed at its request in the course of, and for, a particular contract for research, experiment, study or original development; original development of a first good or service may include limited production or supply in order to incorporate the results of field testing and to demonstrate that the good or service is suitable for production or supply in quantity to acceptable quality standards, but does not include quantity production, or supply to establish commercial viability, or to recover research and development costs;

(f) insofar as is strictly necessary, for reasons of extreme urgency brought about by events unforeseeable by the procuring entity, the good or service could not be obtained in time using open tendering or selective tendering;

(g) a contract is awarded to a winner of a design contest provided that:

(i) the contest has been organized in a manner that is consistent with the principles of this Chapter, in particular relating to the publication of a notice of intended procurement, and

(ii) the participants are judged by an independent jury with a view to a design contract being awarded to a winner;

(h) a procuring entity needs to procure a consulting service regarding matters of a confidential nature, the disclosure of which could reasonably be expected to compromise government confidences, cause economic disruption or similarly be contrary to the public interest; and

(i) an additional construction service that was not included in the initial contract but that is within the objectives of the original tender documentation has become necessary, due to unforeseeable circumstances, to complete the construction service described in the original tender documentation; however the total value of all contracts awarded for additional services may not exceed 50% of the total amount of the initial contract.

2. A procuring entity shall prepare a report in writing on each contract awarded under paragraph 1. The report shall include the name of the procuring entity, the value and kind of good or service procured, and a statement indicating the circumstances and conditions described in paragraph 1 that justified the use of limited tendering.

Article 16.11. Treatment of Tenders and Awarding of Contracts

Treatment of Tenders

1. A procuring entity shall receive, open and treat all tenders under procedures that guarantee the fairness and impartiality of the procurement process and the confidentiality of tenders.

2. A procuring entity shall treat tenders in confidence until at least the opening of the tenders.

3. If a procuring entity provides a supplier with an opportunity to correct unintentional errors of form between the opening of tenders and the awarding of the contract, the procuring entity shall provide the same opportunity to all participating suppliers.

Awarding of Contracts

4. To be considered for award, a tender must be submitted in writing by a supplier that satisfies the conditions for participation and must, at the time of opening, comply with the essential requirements of the notices and tender documentation.

5. Unless a procuring entity determines that it is not in the public interest to award a contract, it shall award the contract to the supplier that the procuring entity has determined to be fully capable of undertaking the contract and, based solely on the evaluation criteria specified in the notices and tender documentation, has submitted:

(a) the most advantageous tender; or

(b) where price is the sole criterion, the lowest price.

6. A procuring entity shall not use options, cancel a procurement or modify awarded contracts in a manner that circumvents the obligations in this Chapter.

Information Provided to Suppliers

7. A procuring entity shall promptly inform suppliers participating in the procurement of the entity's contract award decisions and, on request, shall do so in writing. Subject to Article 16.12, a procuring entity shall, on request, provide an unsuccessful supplier with an explanation of the reasons why the procuring entity did not select its tender and the relative advantages of the successful supplier's tender.

Publication of Award Information

8. Within 72 days of an award, a procuring entity shall publish in electronic or paper form in an officially designated publication, a notice including the following information about the contract:

(a) the name and address of the procuring entity;

(b) a description of the goods or services procured;

(c) the date of award;

(d) the name and address of the successful supplier;

(e) the contract value; and

(f) the procurement method used and, when a procedure has been used pursuant to Article 16.10(1), a description of the circumstances justifying the use of that procedure.

Maintenance of Records

9. A procuring entity shall maintain reports and records of tendering procedures relating to procurements covered by this Chapter, including the reports provided for in Article 16.10(2), and shall retain such reports and records for a period of at least 3 yearsafter the award of a contract.

Article 16.12. Disclosure of Information

Provision of Information to a Party

1. On request of the other Party, a Party shall promptly provide information necessary to determine whether a procurement was conducted fairly, impartially and in accordance with this Chapter, including information on the characteristics and relative advantages of the successful tender. In cases where release of the information would prejudice competition in future tenders, the Party that receives that information shall not disclose it to a supplier without the consent of the Party that provided the information.

Non-Disclosure of Information

2. Notwithstanding any other provision of this Chapter, a Party, including its procuring entities, may not provide information to a particular supplier that might prejudice fair competition between suppliers.

3. A Party, including its procuring entities, administrative authorities and judicial authorities, is not required under this Chapter to release confidential information if the release:

(a) would impede law enforcement;

(b) might prejudice fair competition between suppliers;

(c) would prejudice the legitimate commercial interests of particular persons, including the protection of intellectual property; or

(d) would otherwise be contrary to the public interest.

Article 16.13. Domestic Review Procedures

1. For the purposes of this Article, "challenge" means a challenge by a supplier arising in the context of a procurement covered by this Chapter in which the supplier has, or has had, an interest.

2. Each Party shall ensure that its procuring entities give impartial and timely consideration to a complaint from a supplier regarding an alleged breach of measures implementing this Chapter arising in the context of a procurement covered by this Chapter in which the supplier has, or has had, an interest. Each Party shall encourage suppliers to seek clarification from its procuring entities through discussions with a view to facilitating the resolution of a complaint.

3. Each Party shall establish or designate at least one impartial administrative or judicial authority that is independent of its procuring entities to receive and review a challenge.

4. Each Party shall ensure that an authority it establishes or designates under paragraph 3 has written procedures that are generally available. Each Party shall ensure that those procedures are timely, effective, transparent, non-discriminatory and provide that:

(a) the procuring entity shall respond in writing to the challenge and disclose all relevant documents to the review body;

(b) the participants in the challenge have:

(i) the right to be heard prior to the review body making a decision on the challenge,

(ii) the right to be represented and accompanied,

(iii) access to all challenge proceedings, and

(iv) the right to request that the proceedings take place in public and that witnesses may be presented;

(c) a decision or recommendation relating to a challenge be provided in a timely manner, in writing and with an explanation of the basis for the decision or recommendation; and

(d) each supplier be allowed a sufficient period of time to prepare and submit a challenge, which must be at least 10 days from the time when the basis of the challenge became known to the supplier or reasonably should have become known to the supplier.

5. Each Party shall provide that an authority it establishes or designates under paragraph 3 has authority to take interim measures to preserve the supplier's opportunity to participate in the procurement. Those interim measures may result in a suspension of the procurement process. The procedures for taking interim measures may provide that overriding adverse consequences for the interests concerned, including the public interest, may be taken into account when deciding whether such measures should be applied.

6. Each Party shall ensure that a supplier's submission of a challenge will not prejudice the supplierâs participation in ongoing or future procurements.

7. If a body other than an authority referred to in paragraph 2 initially reviews a challenge, the Party shall ensure that the supplier may appeal the initial decision to an impartial administrative or judicial authority that is independent of the procuring entity whose procurement is the subject of the challenge.

Article 16.14. Modifications and Rectifications to Coverage

1. A Party may modify an Annex to this Chapter.

2. When a Party modifies an Annex to this Chapter, the Party shall:

(a) notify the other Party in writing; and

(b) include in the notification a proposal of appropriate compensatory adjustments to the other Party to maintain a level of coverage comparable to that existing prior to the modification.

3. Notwithstanding paragraph 2(b), a Party need not provide compensatory adjustments if:

(a) the modification in question is a minor adjustment or rectification of a purely formal nature; or

(b) the proposed modification covers an entity over which the Party has effectively eliminated its control or influence.

4. If the other Party disputes that:

(a) an adjustment proposed under paragraph 2(b) is adequate to maintain a comparable level of mutually decided coverage,

(b) the proposed modification is a minor adjustment or a rectification under paragraph 3(a), or

(c) the proposed modification covers an entity over which the Party has effectively eliminated its control or influence under paragraph 3(b),

it shall object in writing within 30 days of receipt of the notification referred to in paragraph 1 or be deemed to have accepted the adjustment or proposed modification, including for the purposes of Chapter Twenty-Two (Dispute Settlement).

Article 16.15. Committee on Procurement

The Parties hereby establish a Committee on Procurement to address matters related to the implementation of this Chapter with a view to maximizing access to government procurement, including with respect to facilitating participation by small and medium enterprises in the government procurement market of the other Party.

Article 16.16. Further Negotiations

1. If, after the entry into force of the provisions of this Chapter, a Party enters into another international agreement containing different procurement procedures and ptactices, including the introduction of shorter bid periods, a Party shall, if the other Party so requests, enter into negotiations to harmonize this Chapter with that international agreement.

2. If, after the entry into force of the provisions of this Chapter, a Party enters into another international agreement providing greater access to its procurement market than is provided under this Chapter, including with respect to sub-national government procurement, on the request of either Party, the Parties may decide to enter into negotiations with a view to achieving a level of market access under this Chapter equivalent to that of the other international agreement.

Article 16.17. Information Technology

The Parties, to the extent possible, shall endeavour to use electronic means of communication to efficiently disseminate information on government procurement, particularly regarding tender opportunities offered by procuring entities, while respecting the principles of transparency and non-discrimination.

Chapter Seventeen. ENVIRONMENT

Article 17.01. Affirmations

1. The Parties recognize that each Party has sovereign rights and responsibilities to conserve and protect its environment, and affirm their environmental obligations under their domestic law, as well as their international obligations under multilateral environmental agreements.

2. The Parties recognize the mutual supportiveness between trade and environment policies and the need to implement this Agreement in a manner consistent with environmental protection and conservation and the sustainable use of their

resources.

Article 17.02. Agreement on the Environment

In keeping with the spirit of Article 17.01, the Parties have set out their mutual obligations in the Agreement on the Environment to promote the following objectives:

(a) conservation, protection and improvement of the environment in the territory of each Party for the well-being of present and future generations;

(b) a commitment not to derogate from domestic environmental laws in order to encourage trade or investment;

(c) conservation and sustainable use of biological diversity, and protection and preservation of traditional knowledge;

(d) development of, compliance with and enforcement of environmental laws;

(e) transparency and public participation in environmental matters; and

(f) cooperation between the Parties to advance environmental issues of common interest.

Article 17.03. Relationship between this Agreement and the Agreement on the Environment

1. The Parties recognize the importance of balancing trade obligations and environmental obligations, and affirm that the Agreement on the Environment complements this Agreement and that they are mutually supportive.

2. The Commission may consider, as appropriate, reports and recommendations from the Committee on the Environment established under the Agreement on the Environment, in respect of any issues related to trade and the environment.

Chapter Eighteen. LABOUR

Article 18.01. Affirmations

The Parties affirm their obligations as members of the International Labour Organization (ILO) and their commitments to the ILO Declaration on Fundamental Principles and Rights at Work (1998) and its follow-up as well as their continuing respect for each other's Constitution and laws.

Article 18.02. Objectives

The Parties wish to build on their respective international commitments, strengthen their cooperation on labour matters and in particular to:

(a) improve working conditions and living standards in each Party's territory;

(b) promote their commitment to the internationally recognized labour principles and rights;

(c) promote compliance with and effective enforcement by each Party of its labour law;

(d) promote social dialogue on labour matters among workers and employers, and their respective organizations, and governments;

(e) pursue cooperative labour-related activities for the Parties' mutual benefit;

(f) strengthen the capacity of each Party's competent authorities to administer and enforce labour law in its territory; and

(g) foster full and open exchange of information between these competent authorities regarding labour law and its application in each Party's territory.

Article 18.03. Obligations

In order to further the objectives, the Parties' mutual obligations are set out in the Agreement on Labour Cooperation between Canada and the Republic of Panama ("Agreement on Labour Cooperation") addressing, among other things:

(a) general obligations concerning internationally recognized labour principles and rights that are to be embodied in each Party's domestic labour law;

(b) a commitment not to derogate from domestic labour law in order to encourage trade or investment;

(c) effective enforcement of labour laws through appropriate government action, private rights of action, procedural guarantees, public information and awareness;

(d) institutional mechanisms to oversee the implementation of the Agreement on Labour Cooperation, such as a Ministerial Council, national advisory committees and national offices to receive and review public communications on specified labour law matters and to enable cooperative activities to further the objectives of the Agreement on Labour Cooperation;

(e) general and ministerial consultations regarding the implementation of the Agreement on Labour Cooperation and its obligations; and

(f) independent review panels to hold hearings and make determinations regarding alleged non-compliance with the terms of the Agreement on Labour Cooperation and, if requested, monetary assessments.

Article 18.04. Cooperative Activities

The Parties recognize that labour cooperation plays an important role in advancing the level of compliance with labour principles and rights and as such the Agreement on Labour Cooperation provides for the development of a plan of action for cooperative labour activities to promote the objectives of the Agreement on Labour Cooperation. An indicative list of areas of possible cooperation between the Parties is set out in the Agreement on Labour Cooperation.

Chapter Nineteen. TRADE-RELATED COOPERATION

Article 19.01. Objectives

Recognizing that trade-related cooperation is a catalyst for the reforms and investments necessary to foster trade-driven economic growth and adjustment to liberalized trade, the Parties agree to promote trade-related cooperation, with the following objectives:

(a) strengthening the capacities of the Parties to maximize the opportunities and benefits deriving from this Agreement;

(b) strengthening and developing cooperation at a bilateral, regional or multilateral level;

(c) fostering, in areas of mutual interest relating to science and technology and innovation, new trade and investment opportunities, thereby stimulating competitiveness and encouraging innovation, including dialogue and cooperation among their respective: academies of science; governmental organizations; non-governmental organizations; universities; colleges; centers and institutes for science, research and technology; and private sector enterprises or firms; and

(d) promoting sustainable economic development, with an emphasis on small and medium-sized enterprises.

Article 19.02. Contact Points

1. The Parties hereby establish Contact Points to facilitate communication concerning the interpretation and implementation of this Chapter.

2. Each Contact Point may share with the other an action plan outlining possible areas of trade-related cooperation to maximize the opportunities and benefits deriving from this Agreement.

3. The Contact Points shall work jointly to establish guidelines for conducting their work and coordinate with other contact points and committees established under this Agreement, as required, on trade-related cooperation pursuant to the objectives of this Chapter.

4. The Contact Points shall be responsible for ensuring communication with the relevant national institutions, as necessary, to carry out the objectives under this Chapter.

5. The Contact Points may communicate by electronic mail, video-conferencing or any other means decided on by the Parties.

6. The Contact Points are as follows:

(a) For Panama:

Ministry of Trade and Industry

National Directorate for the Administration of International Trade Treaties and Trade Defence

or its successor;

(b) For Canada:

Department of Foreign Affairs and International Trade Regional Trade Policy - Americas

or its successor.

Chapter Twenty. TRANSPARENCY

Section A. Publication, Notification and Administration of Laws

Article 20.01. Definitions

For Purposes of this Section:

administrative ruling of general application means an administrative ruling or interpretation applying to persons and situations of fact falling within the general scope of that ruling or interpretation and establishing a norm of conduct, but does not include:

(a) a determination or ruling made in an administrative or quasi-judicial proceeding that applies to a particular person, good or service of the other Party in a specific case; or

(b) a ruling that adjudicates with respect to a particular act or practice.

Article 20.02. Publication

1. Each Party shall ensure that its laws, regulations, procedures and administrative rulings of general application respecting a matter covered by this Agreement are promptly published or made available in such a manner as to enable interested persons and the other Party to become acquainted with them.

2. To the extent possible, each Party shall:

(a) publish in advance any such measure that it proposes to adopt; and

(b) provide interested persons and the other Party a reasonable opportunity to comment on these proposed measures.

Article 20.03. Notification and Provision of Information

1. To the maximum extent possible, a Party shall notify the other Party of an existing or proposed measure that the Party considers might materially affect the operation of this Agreement or substantially affect the other Party's interests under this Agreement.

2. On request of the other Party, a Party shall promptly provide information and respond to questions pertaining to an existing or proposed measure, even if the Party was previously notified of that measure.

3. Any notification or information provided under this Article is without prejudice as to whether the measure is consistent with this Agreement.

Article 20.04. Administrative Proceedings

In order to ensure that measures of general application affecting matters covered by this Agreement are applied in a consistent, impartial and reasonable manner, a Party shall ensure that in administrative proceedings involving specific cases, where the measures referred to in Article 20.02 are applied to particular persons, goods or services of the other Party:

(a) whenever possible, a person of the other Party who is directly affected by a proceeding is given reasonable notice, in

accordance with domestic procedures, when it is initiated, including a description of the nature of the proceeding, a statement of the legal authority under which the proceeding is initiated and a general description of the issues;

(b) a person referred to in subparagraph (a) is afforded a reasonable opportunity to present facts and arguments in support of their position prior to a final administrative action, when permitted by time, the nature of the proceeding, and the public interest; and

(c) the administrative procedures are in accordance with domestic law.

Article 20.05. Review and Appeal

1. Each Party shall establish or maintain judicial, quasi-judicial or administrative tribunals or procedures for the prompt review and, where warranted, correction of final administrative actions in matters covered by this Agreement. Each Party shall ensure that its respective tribunals are impartial and independent of the office or authority entrusted with administrative enforcement and do not have a substantial interest in the outcome of the matter.

2. Each Party shall ensure that the parties to the proceeding are given the following rights in regard to the tribunals or procedures referred to in paragraph 1:

(a) a reasonable opportunity to support or defend their respective positions; and

(b) a decision based on the evidence and submissions of record or the record compiled by the administrative authority where this is required by domestic law.

3. Each Party shall ensure, subject to appeal or review as provided in its domestic law, that such decisions are implemented by, and govern the practice of, the offices or authorities with respect to the administrative action at issue.

Article 20.06. Cooperation to Promote Increased Transparency

The Parties agree to cooperate in bilateral, regional and multilateral fora to promote transparency regarding international trade and investment.

Section B. Anti-Corruption

Article 20.07. Definitions

For purposes of this Section:

foreign public official means a natural person holding a legislative, executive, administrative, or judicial office of a foreign country, whether appointed or elected, and a natural person exercising a public function for a foreign country, including for a public agency or public enterprise;

official of a public international organization means an international civil servant or a natural person who is authorized by such an organization to act on behalf of that organization;

public function means a temporary or permanent, paid or honorary activity, performed by a natural person in the name of a Party or in the service of a Party or its institutions, at any level of its hierarchy; and

public official means a natural person holding a legislative, executive, administrative or judicial office of a Party, whether appointed or elected and whether permanent or temporary.

Article 20.08. Statement of Principles

The Parties affirm their resolve to prevent and combat bribery and corruption in international trade and investment.

Article 20.09. Anti-corruption Measures

1. Each Party shall adopt or maintain legislative or other measures establishing the following as criminal offences in matters of international trade or investment when committed intentionally:

(a) a public official soliciting or accepting, directly or indirectly, undue advantage for the official or another person, in order that the official act or refrain from acting in the exercise of their official duties;

(b) promising, offering or giving, to a public official, directly or indirectly, undue advantage for the official or another person, in order that the official act or refrain from acting in the exercise of their official duties;

(c) promising, offering or giving to a foreign public official or an official of a public international organization, directly or indirectly, an undue advantage for the official or another person, in order that the official act or refrain from acting in the performance of official duties, in order to obtain or retain business or other undue advantage in relation to the conduct of international business; and

(d) aiding, abetting or conspiring to commit an offence described in subparagraphs (a) through (c).

2. Each Party shall adopt such measures as may be necessary to establish its jurisdiction over criminal offences referred to in paragraph 1 that are committed in its territory.

3. The Parties shall ensure that their respective sanctions for offences covered by this Section take into account the gravity of the offence.

4. Each Party shall adopt such measures, as may be necessary, consistent with its legal principles, to establish the liability of enterprises for offences covered by this Section. In particular, each Party shall ensure that enterprises held liable under this Section are subject to effective, proportionate and dissuasive criminal or non-criminalsanctions, including monetary sanctions.

5. Each Party shall consider incorporating in its domestic legal system at the national level appropriate measures to provide protection against unjustified treatment for a person who reports in good faith and on reasonable grounds to the competent authorities facts concerning an offence established in accordance with this Section.

Article 20.10. Cooperation In International Fora

The Parties recognize the importance of regional and multilateral initiatives to prevent and combat bribery and corruption in international trade and investment. The Parties agree to work together to advance efforts in regional and multilateral fora to prevent and combat bribery and corruption in international trade and investment, and to encourage and support appropriate initiatives.

Chapter Twenty-One. ADMINISTRATION OF THE AGREEMENT

Article 21.01. The Joint Commission

1. The Parties hereby establish the Joint Commission, comprising representatives of the Parties at the Ministerial level, or their designees.

2. The Commission shall:

(a) supervise the implementation of this Agreement;

(b) review the general functioning of this Agreement;

(c) oversee the further elaboration of this Agreement;

(d) supervise the work of all bodies established under this Agreement referred to in Annex 21.01; and

(e) consider any other matter that may affect the operation of this Agreement.

3. The Commission may:

(a) adopt interpretive decisions concerning this Agreement binding on panels established under Article 22.07 (Dispute Settlement - Establishment of a Panel) and Tribunals established under Section C of Chapter Nine (Investment - Settlement of Disputes between an Investor and the Host Party);

(b) seek the advice of non-governmental persons or groups;

(c) take any other action in the exercise of its functions as the Parties may decide;

(d) further the implementation of the objectives of this Agreement by approving any revisions of:

(i) a Party's Schedule to Annex 2.04 (National Treatment and Market Access for Goods - Tariff Elimination), with the purpose of adding one or more goods excluded in the Tariff Elimination Schedule,

(ii) the phase-out periods established in Annex 2.04 (National Treatment and Market Access for Goods - Tariff Elimination), with the purpose of accelerating the tariff reduction,

(iii) the specific rules of origin established in Annex 3.02 (Rules of Origin - Specific Rules of Origin),

(iv) the Uniform Regulations on Customs Procedures, and

(v) the procuring entities listed in Annexes 1 and 2 of Canada and Panama's schedules to Chapter 16 (Government Procurement);

(e) consider any amendments or modifications to the rights and obligations under this Agreement; and

(f) establish the amount of remuneration and expenses to be paid to panelists.

4. At the request of the Committee on the Environment established under the Agreement on the Environment between Canada and the Republic of Panama, the Commission may revise Annex 1.06 (Initial Provisions and General Definitions - Multilateral Environmental Agreements) to include other Multilateral Environmental Agreements (MEAs), or to include amendments to an MEA or remove an MEA listed in that Annex.

5. The revisions referred to in subparagraph 3(d) and paragraph 4 shall be subject to the completion of any necessary domestic legal procedures of either Party.

6. The Commission may establish and delegate responsibilities to committees, subcommittees or working groups. Except where otherwise specifically provided for in this Agreement, the committees, subcommittees and working groups shall work under a mandate recommended by the Agreement Coordinators referred to in Article 21.02 and approved by the Commission.

7. The Commission shall establish its rules and procedures. All decisions of the Commission shall be taken by mutual consent.

8. The Commission shall normally convene once a year, or upon the request in writing of either Party. Unless otherwise decided by the Parties, sessions of the Commission shall be held alternately in the territory of each Party, or by any technological means available.

Article 21.02. Agreement Coordinators

1. Each Party shall appoint an Agreement Coordinator and notify the other Party within 60 days following the entry into force of this Agreement.

2. The Agreement Coordinators shall jointly:

(a) monitor the work of all bodies established under this Agreement, referred to in Annex 21.01, including communications relating to successors to those bodies;

(b) recommend to the Commission the establishment of bodies that they consider necessary to assist the Commission;

(c) coordinate preparations for Commission meetings;

(d) follow up on any decisions taken by the Commission, as appropriate;

(e) receive all notifications and information provided pursuant to this Agreement and, as necessary, facilitate communications between the Parties on any matter covered by this Agreement; and

(f) consider any other matter that may affect the operation of this Agreement as mandated by the Commission.

3. The Coordinators shall meet as often as required.

4. Each Party may request in writing at any time that a special meeting of the Coordinators be held. Such a meeting shall take place within 30 days of receipt of the request.

Annex 21.01. Committees and Subcommittees, Country Coordinators and Contact Points

Committees and Subcommittees:

(a) Committee on Trade in Goods and Rules of Origin (Article 2.19);

(i) Subcommittee on Agriculture (Article 2.19(4)),

(ii) The Customs Procedures Subcommittee (Article 4.14);

(b) Committee on Financial Services (Article 12.15); and

(c) Committee on Procurement (Article 16.15).

Country Coordinators:

SPS Coordinators (Article 6.03).

Contact Points:

(a) Contact points for temporary entry for business persons (Article 13.06);

and

(b) Contact points for trade-related cooperation (Article 19.02).

Chapter Twenty-Two. DISPUTE SETTLEMENT

Article 22.01. Definitions

For purposes of this Chapter:

complaining Party means a Party that requests the establishment of a panel under Article 22.07;

panel means a panel established under Article 22.07; and

Party complained against means the Party that receives the request for the establishment of a panel under Article 22.07.

Article 22.02. Cooperation

The Parties shall endeavour to agree on the interpretation and application of this Agreement, and shall attempt through cooperation and consultations to arrive at a mutually satisfactory resolution of a matter that might affect its operation.

Article 22.03. Scope and Coverage

Except for matters arising under Chapters 17 (Environment) and 18 (Labour) and as otherwise provided in this Agreement, the dispute settlement provisions of this Chapter apply with respect to the settlement of disputes between the Parties regarding the interpretation or application of this Agreement or wherever a Party considers that:

(a) an actual or proposed measure of the other Party is or would be inconsistent with one of its obligations under this Agreement;

(b) the other Party has otherwise failed to carry out one of its obligations under this Agreement; or

(c) there is nullification or impairment in the sense of Annex 22.03.

Article 22.04. Choice of Forum

1. Subject to paragraph 2, a dispute regarding a matter arising under both this Agreement and the WTO Agreement or any other free trade agreement to which both Parties are party may be settled in a forum designated under the terms of one of these agreements at the discretion of the complaining Party.

2. Notwithstanding paragraph 1, if a Party complained against claims that a measure is subject to Article 1.06 (Initial Provisions and General Definitions - Relation to Environmental and Conservation Agreements) and requests in writing that the matter be considered under this Agreement, the complaining Party may resort only to the dispute settlement procedures in this Agreement.

3. If the complaining Party requests the establishment of a dispute settlement panel under an agreement referred to in

paragraph 1, the forum selected shall be used to the exclusion of the other, unless the Party complained against makes a request pursuant to paragraph 2.

Article 22.05. Consultation

1. A Party may request in writing a consultation with the other Party regarding a matter referred to in Article 22.03.

2. The Party requesting the consultation shall deliver the request to the other Party, setting out the reasons for the request, identifying the measure or matter at issue under Article 22.03 and indicating the legal basis for the complaint.

3. Subject to paragraph 4, the Parties, unless they otherwise decide, shall enter into a consultation within 30 days of the date of receipt of the request by the other Party.

4. In cases of urgency, including those involving a good or service that rapidly loses its trade value, such as a perishable good, consultation shall commence within 15 days of the date of receipt of the request by the other Party.

5. The requesting Party may ask that the other Party make available personnel of its governmental agencies or other regulatory bodies with expertise in the subject matter of the consultation.

6. The Parties shall attempt to arrive at a mutually satisfactory resolution of a matter through consultation under this Article. To this end, each Party shall:

(a) provide sufficient information for a full examination of the measure or matter at issue; and

(b) treat confidential or proprietary information received in the course of consultation on the same basis as the Party providing the information.

7. Consultation is confidential and without prejudice to the rights of the Parties in proceedings under this Chapter.

8. Consultation may be held in person or by another means that the Parties decide.

Article 22.06. Good Offices, Conciliation and Mediation

1. The Parties at any time may decide to undertake an alternative method of dispute resolution, such as good offices, conciliation or mediation.

2. The Parties shall conduct alternative methods of dispute resolution according to procedures on which they decide.

3. Either Party at any time may begin, suspend or terminate proceedings established under this Article.

4. Proceedings involving good offices, conciliation or mediation are confidential and without prejudice to the rights of the Parties in other proceedings.

Article 22.07. Establishment of a Panel

1. Unless the Parties decide otherwise, and subject to paragraph 3, the complaining Party may refer the matter to a dispute settlement panel if a matter referred to in Article 22.05 has not been resolved:

(a) within 45 days of the date of receipt of the request for consultations; or

(b) within 25 days of the date of receipt of the request for consultation for matters referred to in Article 22.05(4).

2. The complaining Party shall deliver the written request for panel establishment to the other Party, indicating the reason for the request, identifying the specific measure or other matter at issue and providing a brief summary of the legal basis of the complaint sufficient to present the problem clearly.

3. A dispute settlement panel may not be established to review a proposed measure.

Article 22.08. Panel Selection

1. The panel shall consist of three panellists.

2. Within 30 days of receiving the request to establish a panel, a Party shall notify the other Party of its appointment of a panellist, and propose up to four candidates to serve as the chair of the panel. If a Party fails to appoint a panellist within

this time, the panellist shall be selected by the other Party from the candidates proposed for the chair.

3. The Parties, within 45 days of the date of receipt of the request for panel establishment, shall endeavour to select a panellist who will serve as chair from among the candidates proposed. If the Parties fail to select a chair within this time period, within a further 7 days the chair shall be selected randomly from the candidates proposed.

4. If a panellist appointed by a Party withdraws, is removed or becomes unable to serve, a replacement shall be appointed by that Party within 30 days, failing which the replacement shall be appointed in accordance with the second sentence of paragraph 2.

5. If the chair of the panel withdraws, is removed or becomes unable to serve, the Parties shall endeavour to decide on the appointment of a replacement within 30 days, failing which the replacement shall be appointed in accordance with the second sentence of paragraph 3.

6. If an appointment in paragraph 4 or 5 would require selecting from the list of candidates proposed for chair and there are no remaining candidates, each Party shall propose up to 3 additional candidates within 30 days and, within 7 days of that deadline, the panellist shall be selected randomly from the candidates proposed.

7. A time limit applicable to the proceeding is suspended as of the date the panellist withdraws, is removed or becomes unable to serve, and resumes on the date the replacement is selected.

Article 22.09. Qualifications of Panellists

Each panellist shall:

(a) have expertise or experience in law, international trade or other matters covered by this Agreement, or in the settlement of disputes arising under international trade agreements;

(b) be chosen strictly on the basis of objectivity, reliability and sound judgment;

(c) be independent of and not be affiliated with or take instructions from a Party;

(d) not be a national of a Party, nor have their usual place of residence in the territory of a Party, nor be employed by either of them;

(e) comply with a Code of Conduct that the Commission shall approve at its first session following the entry into force of this Agreement; and

(f) not have been involved in an alternative dispute settlement proceeding referred to in Article 22.06 regarding the same dispute.

Article 22.10. Rules of Procedure

1. A panel shall follow the provisions of this Chapter, including Annex 22.10 (Rules of Procedure). A panel, in consultation with the Parties, may establish supplementary rules of procedure that do not conflict with the provisions of this Chapter.

2. Unless the Parties decide otherwise, the rules of procedure shall ensure that:

(a) each Party has the opportunity to provide initial and rebuttal written submissions;

(b) the Parties have the right to at least 1 hearing before the panel; subject to subparagraph (g) these hearings shall be open to the public;

(c) the Parties have the right to present and receive written submissions and oral arguments in any of the Parties' official languages;

(d) all submissions and comments made to the panel are available to the other Party;

(e) a Party may make available to the public either Party's written submissions, transcripts of oral statements and written responses to requests or questions from the panel, subject to subparagraph (g);

(f) the panel allows a non-governmental person of a Party to provide written views regarding the dispute that may assist the panel in evaluating the submissions and arguments of the Parties; and

(g) information designated by either Party for confidential treatment is protected.

3. Unless the Parties decide otherwise within 15 days of the date of the establishment of the panel, the terms of reference of the panel shall be:

"To examine, in the light of the relevant provisions of the Agreement, the matter referred to in the request for the establishment of the panel and to make findings, determinations and recommendations as provided in Article 22.11".

4. If the complaining Party claims that a benefit has been nullified or impaired within the meaning of Annex 22.03, the terms of reference shall so indicate.

5. If a Party wishes the panel to make findings as to the degree of adverse trade effects on a Party of a measure determined:

(a) to be inconsistent with an obligation in the Agreement, or

(b) to have caused nullification or impairment in the sense of Annex 22.03, the terms of reference shall so indicate.

6. At the request of a Party, or on its own initiative, the panel may seek information and technical advice from a person or body it deems appropriate, subject to such terms and conditions that the Parties may decide.

7. The panel may rule on its own jurisdiction.

8. The panel may delegate to the chair authority to make administrative and procedural decisions.

9. The panel, in consultation with the Parties, may modify a time period applicable in the panel proceedings and make other procedural or administrative adjustments required for the fairness or efficiency of the proceeding.

10. Findings, determinations and recommendations of the panel under Article 22.11 shall be made by a majority of its members.

11. Panellists may furnish separate opinions on matters not unanimously agreed. A panel may not disclose which panellists are associated with majority or minority opinions.

12. Unless the Parties decide otherwise, the expenses of the panel, including the remuneration of the panellists, shall be borne in equal shares by the Parties.

Article 22.11. Panel Reports

1. Unless the Parties decide otherwise, the panel shall issue reports in accordance with the provisions of this Chapter.

2. The panel shall base its reports on the provisions of this Agreement applied and interpreted in accordance with the rules of interpretation of public international law, the submissions and arguments of the Parties and information and technical advice before it under the provisions of this Chapter.

3. The panel shall issue an initial report to the Parties within 120 days of the selection of the last panellist. This report shall contain:

(a) findings of fact;

(b) a determination as to whether the Party complained against has conformed with its obligations under this Agreement and any other finding or determination requested in the terms of reference; and

(c) a recommendation for resolution of the dispute, if requested by a Party.

4. Notwithstanding Article 22.10, the initial report of the panel shall be confidential.

5. A Party may submit written comments to the panel on its initial report, subject to time limits that may be set by the panel. After considering those comments, the panel, on its own initiative or on the request of a Party, may:

(a) request the views of a Party;

(b) reconsider its report; or

(c) carry out a further examination that it considers appropriate.

6. The panel shall present to the Parties a final report within 30 days of presentation of the initial report.

7. Unless the Parties decide otherwise, the final report of the panel may be published by either Party 15 days after it is presented to the Parties, subject to Article 22.10(2)(g).

Article 22.12. Implementation of the Final Report

1. On receipt of the final report of a panel, the Parties shall decide on the resolution of the dispute. Unless the Parties decide otherwise, the resolution shall conform with a determination or recommendation made by the panel.

2. Wherever possible, the resolution shall be the removal of a measure not conforming to this Agreement or removal of the nullification or impairment within the meaning of Annex 22.03.

3. If the Parties are unable to reach a resolution within 30 days of presentation of the final report, or such other period as the Parties may decide, the Party complained against,

if so requested by the complaining Party, shall enter into negotiations with a view to determining compensation.

Article 22.13. Non-Implementation - Suspension of Benefits

1. The complaining Party, subject to paragraph 4 and following notice to the other Party, may suspend the application to the other Party of benefits of equivalent effect if:

(a) in its final report a panel determines that a measure is inconsistent with the obligations of this Agreement or that there is nullification or impairmentwithin the meaning of Annex 22.03;

(b) the Parties have not been able to resolve the dispute to their mutual satisfaction within 30 days of receiving the final report; or

(c) the Parties fail to decide on compensation within 30 days of the complaining Party's request, if such a request was made.

2. The notice referred to in paragraph 1 shall specify the level of benefits that the complaining Party proposes to suspend.

3. In considering which benefits to suspend under paragraph 1:

(a) the complaining Party should first seek to suspend benefits or other obligations in the same sector affected by the measure or other matter that the panel has found to be inconsistent with an obligation under this Agreement or to have caused nullification or impairment within the meaning of Annex 22.03; and

(b) a complaining Party that considers it is not practicable or effective to suspend benefits or other obligations in the same sector may suspend benefits in another sector.

4. A Party may only suspend benefits temporarily, and only until the other Party has brought the inconsistent measure or other matter into conformity with this Agreement, including as a result of the panel process described in Article 22.14, or until such time as the Parties arrive at a resolution of the dispute.

5. For purposes of paragraph 4, "inconsistent measure or other matter" means a measure or other matter found by a panel to be inconsistent with the obligations of this Agreement or otherwise nullifying or impairing benefits within the meaning of Annex 22.03.

Article 22.14. Review of Compliance and Suspension of Benefits

1. A Party, by written notice to the other Party, may request that a panel be reconvened to make a determination regarding:

(a) whether the level of benefits suspended by a Party under Article 22.13(1) is manifestly excessive; or

(b) any disagreement as to the existence or consistency with this Agreement of measures taken to comply with the determinations or recommendations of the previously established panel.

2. In the written notice of the request referred to in paragraph 1, the Party shall identify the specific measure or matter at issue and provide a brief summary of the legal basis of the complaint sufficient to present the problem clearly.

3. The panel shall be reconvened when the other Party receives written notice of the request referred to in paragraph 1. In the event that a panellist is unable to serve on the reconvened panel, they shall be replaced under Article 22.08(4).

4. The provisions of Articles 22.10 and 22.11 apply to procedures adopted and a report issued by a panel reconvened under this Article, with the exception that, subject to Article 22.10(9), the panel shall present an initial report within 60 days of being reconvened where the request concerns only paragraph 1(a), and otherwise within 90 days.

5. A panel reconvened under this Article may include in its report a recommendation, where appropriate, that a suspension of benefits be terminated or that the amount of benefits suspended be modified.

Article 22.15. Referrals of Matters from Judicial or Administrative Proceedings

1. If an issue of interpretation or application of this Agreement arises in a domestic, judicial or administrative proceeding of a Party that either Party considers would merit its intervention, or if a court or administrative body solicits the views of a Party, that Party shall notify the other Party. The Commission shall endeavour to determine an appropriate response as expeditiously as possible.

2. The Party in whose territory the court or administrative body is located shall submit any interpretation of the Commission to the court or administrative body in accordance with the rules of that forum.

3. If the Commission is unable to decide on the interpretation, each Party may submit its own views to the court or administrative body in accordance with the rules of that forum.

Article 22.16. Private Rights

A Party may not provide a right of action under its domestic law against the other Party on the ground that an act or omission of that Party is inconsistent with this Agreement.

Article 22.17. Alternative Dispute Resolution

1. Each Party shall encourage and facilitate the use of arbitration and other means of alternative dispute resolution to the extent possible in order to settle international commercial disputes between private parties in the free trade area.

2. To this end, each Party shall provide appropriate procedures to ensure observance of agreements to arbitrate and for the recognition and enforcement of awards in such disputes.

3. A Party shall be deemed to comply with paragraph 2 if it is a party to and complies with the New York Convention.

Annex 22.03. Nullification or Impairment

1. If a Party considers that a benefit it could reasonably have expected to accrue to it under a provision of:

(a) Chapters 2 (National Treatment and Market Access for Goods), 3 (Rules of Origin), 4 (Customs Procedures), 5 (Trade Facilitation), 8 (Emergency Action) or 16 (Government Procurement), or

(b) Chapter 10 (Cross-Border Trade in Services),

is being nullified or impaired as a result of the application of a measure of the other Party that is not inconsistent with this Agreement, in the sense of Article XXII: 1(b) of the GATT 1994, Article XXII(3) of GATS or Article XXII(2) of the Agreement on Government Procurement done April 15, 1994 (GPA), the Party may have recourse to dispute settlement under this Chapter. A panel established under this Chapter shall take into account relevant jurisprudence interpreting Article XXII:1(b) of the GATT 1994, Article XXII(3) of GATS and Article XXII(2) of the GPA.

2. A Party may not invoke paragraph 1(b) with respect to a measure subject to an exception under Article 23.02 (Exceptions - General Exceptions), nor invoke paragraph 1 with respect to a measure subject to the exception under Article 23.06 (Exceptions - Cultural Industries).

Annex 22.10. Rules of Procedure

Application

1. The following rules of procedure apply to a dispute settlement proceeding under this Chapter, unless the Parties decide otherwise.

Definitions

2. For purposes of this Annex:

adviser means a person retained by a Party to advise or assist the Party in connection with the panel proceeding;

legal holiday means every Saturday and Sunday and any other day designated by a Party as a holiday for the purposes of these rules; and

representative means an employee of a government department or agency or of another government entity of a Party.

Written Submissions and Other Documents

3. Each Party shall deliver the original and a minimum of 3 copies of any written submission to the panel and one 1 copy to the Embassy of the other Party. Delivery of submissions and any other document related to the panel proceeding may be made by e-mail or other means of electronic transmission if the Parties so decide. When a Party delivers physical copies of written submissions or any other document related to the panel proceeding, that Party shall deliver at the same time an electronic version of the submissions or other document.

4. The complaining Party shall deliver an initial written submission no later than 10 days after the date on which the last panellist is appointed. The Party complained against, in turn, shall deliver a written counter-submission no later than 20 days after the date on which the initial written submission of the complaining Party is due.

5, The panel, in consultation with the Parties, shall establish dates for the delivery of the subsequent written rebuttal submissions of the Parties and any other written submissions that the panel and the Parties determine are appropriate.

6. A Party at any time may correct minor errors of a clerical nature in any written submission or other document related to the panel proceeding by delivering a new document clearly indicating the changes.

7. If the last day for delivery of a document falls on a legal holiday observed by a Party or on another day on which the government offices of a Party are closed by order of the government or by force majeure, the document may be delivered on the next business day.

Burden of Proof

8. A complaining Party asserting that a measure of the other Party is inconsistent with the provisions of this Agreement shall have the burden of establishing such inconsistency. If the Party complained against asserts that a measure is subject to an exception under this Agreement, it shall have the burden of establishing that the exception applies.

Written Submission by a Non-Governmental Person

9. A panel, on application, may grant leave to a non-governmental person of a Party to file written submissions. In making its decision to grant leave, the panel shall consider, among other things:

(a) whether the subject matter of the proceeding is of public interest;

(b) whether the non-governmental person has a substantial interest in the proceeding; a substantial interest requires more than an interest in the development of trade law jurisprudence, the interpretation of the Agreement or the subject matter of the dispute;

(c) whether the written submission would assist the panel in determining a factual or legal issue related to the proceeding by bringing a perspective, particular knowledge or insight that is different from that of the Parties; and

(d) submissions by the Parties on the application for leave.

10. Where the panel has granted leave to a non-governmental person to file a written submission, the panel shall ensure that:

(a) the written submission does not introduce new issues to the dispute;

(b) the written submission is within the terms of reference of the dispute as defined by the Parties;

(c) the written submission addresses only the issues of fact and law that the person described in its request;

(d) the written submission avoids disrupting the proceeding and preserves the equality of the Parties; and

(e) the Parties have the opportunity to respond to the written submission.

Role of Experts

11. On request of a Party, or on its own initiative, the panel may seek information and technical advice from a person or body that it deems appropriate, subject to paragraphs 12 and 13 and such additional terms and conditions as the Parties

may decide. The requirements set out in Article 22.09 apply to the experts or bodies, as appropriate.

12. Before the panel seeks information or technical advice under paragraph 11, it shall:

(a) notify the Parties of its intention to seek information or technical advice and provide them with an adequate period of time to submit comments; and

(b) provide the Parties with a copy of information or technical advice received and provide them with an adequate period of time to submit comments.

13. When the panel takes into consideration the information or technical advice received under paragraph 11 for the preparation of its report, it shall also take into consideration comments or observations submitted by the Parties with respect to such information or technical advice.

Operation of Panels

14. The chair shall preside at all of the panel's meetings.

15. The panel may conduct its business by appropriate means, including by telephone, facsimile transmission and video or computer links.

16.Only panellists may take part in the deliberations of the panel. The panel, in consultation with the Parties, may employ such number of assistants, interpreters or translators, or stenographers as may be required for the proceeding and permit them to be present during such deliberations. The members of the panel and the persons employed by the panel shall maintain the confidentiality of the panel's deliberations and information that is protected under Article 22.10.

17. A panel, in consultation with the Parties, may modify a time period applicable in the panel proceedings and make other procedural or administrative adjustments required in the proceeding.

Hearings

18. The chair shall fix the date and time of the initial hearing and any subsequent hearing in consultation with the Parties and the panellists, and then notify the Parties in writing of those dates and times.

19. The location of hearings shall alternate between the territories of the Parties, with the first hearing to take place in the territory of the Party complained against, unless the Parties decide otherwise.

20. No later than 5 days before the date of a hearing, each Party shall deliver to the other Party and the panel a list of the names of the persons who will be present at the hearing on behalf of that Party and of other representatives or advisers who will be attending the hearing.

21. Each hearing shall be conducted by the panel in a manner that ensures that the complaining Party and the Party complained against are afforded equal time for arguments, replies and counter-replies.

22. Hearings shall be open to the public, except as necessary to protect information designated by either Party for confidential treatment. The panel, in consultation with the Parties, shall adopt appropriate logistical arrangements and procedures to ensure that hearings are not disrupted by the attendance of the public. Such procedures may include, among other methods, the use of live web-broadcasting or closed-circuit television.

23. The panel shall arrange the preparation of hearing transcripts, if any, and shall, as soon as possible after any such transcripts are prepared, deliver a copy to each Party.

Ex Parte Contacts

24. A Party may not communicate with the panel without notifying the other Party. The panel shall not communicate with a Party in the absence of, or without notifying, the other Party.

25. A panellist may not discuss an aspect of the substantive subject matter of the proceeding with the Parties in the absence of the other panellists.

Remuneration and Payment of Expenses

26. Unless the Parties decide otherwise, the expenses of the panel and the remuneration, travel and lodging expenses and all general expenses of the panellists and their assistants shall be born in equal shares by the Parties.

27. Each panellist shall keep a record and render a final account to the Parties of their time and expenses, and those of any

assistant. The chair of the panel shall keep a record and render a final account to the Parties of all general expenses.

Chapter Twenty-Three. EXCEPTIONS

Article 23.01. Definitions

For purposes of this Chapter:

competition authority means:

(a) for Canada, the Commissioner of Competition or a successor notified to the other party through the Coordinators; and

(b) for Panama, the Authority of Consumer Protection and Defence of Competition or a successor notified to the other party through the Coordinators;

cultural industry means a person engaged in the following activities:

(a) the publication, distribution or sale of books, magazines, periodicals or newspapers in print or machine readable form but not including the sole activity of printing or typesetting any of the foregoing;

(b) the production, distribution, sale or exhibition of film or video recordings;

(c) the production, distribution, sale or exhibition of audio or video music recordings;

(d) the publication, distribution or sale of music in print or machine-readable form; or

(e) radiocommunications in which the transmissions are intended for direct reception by the general public, and all radio, television and cable broadcasting undertakings and all satellite programming and broadcast network services;

designated authority means:

(a) in the case of Canada, the Assistant Deputy Minister for Tax Policy, Department of Finance, or a successor authority notified to the other party through the Coordinators; and

(b) in the case of Panama, the Vice-Ministry of Finance, Ministry of Economy and Finance, or a successor authority notified to the other party through the Coordinators;

information protected under its competition laws means:

(a) for Canada, information within the scope of Section 29 of the Competition Act, R.S. C. 1985, c.34, or a successor provision; and

(b) for Panama, information within the scope of Article 103 of the Law 45 of October 31, 2007, or a successor provision;

tax convention means a convention for the avoidance of double taxation or other international taxation agreement or arrangement; and

tax and taxation measure does not include:

(a) a "customs duty"; or

(b) a measure listed in exceptions (b), (c), or (d) in the definition of "customs duty" in Article 1.01 (Initial Provisions and General Definitions - Definitions of General Application).

Article 23.02. General Exceptions

1. For the purposes of Chapters Two through Eight and Chapter Fifteen (National Treatment and Market Access for Goods, Rules of Origin, Customs Procedures, Trade Facilitation, Sanitary and Phytosanitary Measures, Technical Barriers to Trade, Emergency Action and Electronic Commerce) and Annex IV (International Maritime Section), GATT 1994 Article XX is incorporated into and made part of this Agreement. The Parties understand that the measures referred to in GATT 1994 Article XX (b) include environmental measures necessary to protect human, animal or plant life or health. The Parties further understand that GATT 1994 Article XX (g) applies to measures for the conservation of living and non-living exhaustible natural resources.

2. For the purposes of Chapters Ten, Eleven, Thirteen and Fifteen (Cross-Border Trade in Services, Telecommunications,

Temporary Entry for Business Persons, and Electronic Commerce) GATS Article XIV (a), (b) and (c) is incorporated into this Agreement. The Parties understand that the measures referred to in GATS Article XIV (b) include environmental measures necessary to protect human, animal or plant life or health.

3. For the purposes of Chapter Nine (Investment):

(a) a Party may adopt or enforce a measure necessary:

(i) to protect human, animal or plant life or health, which the Parties understand to include environmental measures necessary to protect human, animal or plant life or health,

(ii) to ensure compliance with a laws or regulation that are not inconsistent with this Agreement, or

(iii) for the conservation of living or non-living exhaustible natural resources,

(b) provided that the measure referred to in sub paragraph (a) is not:

(i) applied in a manner that constitutes arbitrary or unjustifiable discrimination between investments or between investors, or

(ii) a disguised restriction on international trade or investment.

Article 23.03. National Security

This Agreement does not:

(a) require a Party to furnish or allow access to information if that Party determines that the disclosure of this information would be contrary to its essential security interests;

(b) prevent a Party from taking an action that it considers necessary to protect its essential security interests:

(i) relating to the traffic in arms, ammunition and implements of war and to such traffic and transactions in other goods, materials, services and technology undertaken directly or indirectly for the purpose of supplying a military or other security establishment,

(ii) taken in time of war or other emergency in international relations, or

(iii) relating to the implementation of national policies or international agreements respecting the non-proliferation of nuclear weapons or other nuclear explosive devices; or

(c) prevent a Party from fulfilling its obligations under the Charter of the United Nations for the maintenance of international peace and security.

Article 23.04. Taxation

1. Except as set out in this Article, this Agreement does not apply to a taxation measure.

2. This Agreement does not affect the rights and obligations of a Party under a tax convention. In the event of inconsistency between this Agreement and a tax convention, that convention prevails.

3. Where a provision with respect to a taxation measure under this Agreement is similar to a provision under a tax convention, the competent authorities identified in the tax convention shall use the procedural provisions of that tax convention to resolve an issue that may arise under this Agreement.

4. Notwithstanding paragraphs 2 and 3:

(a) Article 2.03 (National Treatment and Market Access for Goods - National Treatment) and the provisions of this Agreement necessary to give effect to that Article apply to a taxation measure to the same extent as Article II of the GATT 1994; and

(b) Article 2.10 (National Treatment and Market Access for Goods - Export Taxes) applies to a taxation measure.

5. Subject to paragraphs 2, 3 and 6:

(a) Article 10.03 (Cross-Border Trade in Services - National Treatment) and Article 12.03 (Financial Services â National Treatment) apply to a taxation measure on income, capital gains or on the taxable capital of corporations that relate to the purchase or consumption of particular services; and

(b) Articles 9.04 and 9.05 (Investment – National Treatment and MostFavoured-Nation Treatment), Articles 10.03 and 10.04 (Cross-Border Trade in Services – National Treatment and Most-Favoured-Nation Treatment) and Articles 12.03 and 12.04 (Financial Services – National Treatment and Most-Favoured-Nation Treatment) apply to a taxation measure, other than one on income, capital gains or on the taxable capital of corporations.

6. Paragraph 5 does not:

(a) impose a most-favoured-nation obligation with respect to an advantage accorded by a Party pursuant to a tax convention;

(b) impose on a Party an obligation making the receipt, or continued receipt, of an advantage relating to the contributions to, or income of, pension trusts or pension plans conditional on a requirement that the Party maintain continuous jurisdiction over the pension trust or pension plan;

(c) impose on a Party an obligation making the receipt, or continued receipt, of an advantage relating to the purchase or consumption of a particular service conditional on a requirement that the service be provided in its territory;

(d) apply to a non-conforming provision of an existing taxation measure;

(e) apply to the continuation or prompt renewal of a non-conforming provision of an existing taxation measure;

(f) apply to an amendment to a non-conforming provision of an existing taxation measure provided that the amendment does not decrease its conformity, as it existed immediately before the amendment, with the articles referred to in Paragraph 5; or

(g) apply to a new taxation measure that is aimed at ensuring the equitable and effective imposition or collection of taxes (including, for greater certainty, a measure that is taken by a Party in order to ensure compliance with the Partyâs taxation system or to prevent the avoidance or evasion of taxes) and that does not arbitrarily discriminate between persons, goods or services of the Parties.

7. Subject to paragraphs 2 and 3, and without prejudice to the rights and obligations of the Parties under paragraph 4, Article 9.07 (Investment - Performance Requirements) applies to a taxation measure.

8. Notwithstanding paragraphs 2 and 3, Article 9.11 (Investment - Expropriation) applies to a taxation measure, but an investor may not invoke that Article as the basis for a claim under Articles 9.20 (Investment - Claim by an Investor of a Party on Its Own Behalf) or 9.21 (investment - Claim by an Investor of a Party on Behalf of an Enterprise), where the designated authorities of the Parties have determined under this paragraph that a taxation measure is not an expropriation. The investor shall refer the issue of whether a measure is not an expropriation for a determination to the designated authorities of the Parties at the time that it gives notice under subparagraph 2(c) of Article 9.22 (Investment - Conditions Precedent to Submission of a Claim to Arbitration). If, within a period of six months from the date of this referral, the designated authorities do not agree to consider the issue or, having agreed to consider it, fail to agree that the measure is not an expropriation, the investor may submit its claim to arbitration under Article 9.23 (Investment - Submission of a Claim to Arbitration).

9. A claim by:

(a) an investor of a Party that a tax measure of the other Party breaches an agreement between a central government authority of that Party and the investor concerning an investment, or

(b) an investor of a Party, on behalf of an enterprise of the other Party that is a juridical person that the investor owns or controls directly or indirectly, that a tax measure of the other Party breaches an agreement between a central government authority of the other Party and that enterprise,

may be submitted to arbitration under Section C of Chapter Nine (Settlement of Disputes between an Investor and the Host Party) unless the designated authorities of the Parties, within six months of being notified by the investor of its intention to submit the claim to arbitration, jointly determine that the measure does not contravene such agreement. The investor shall refer the issue of whether a taxation measure does not contravene such agreement for a determination to the designated authorities of the Parties at the same time that it gives notice under Article 9.22 (Investment - Conditions Precedent to Submission of a Claim to Arbitration).

10. In order to give effect to paragraphs 1 to 3:

(a) If an issue arises as to whether a measure of a Party is a taxation measure in a dispute between the Parties, either Party may refer the issue to the designated authorities of the Parties. The designated authorities shall decide the issue of whether

the measure is a taxation measure, and their decision shall bind a panel established under Article 22.07 (Dispute Settlement - Establishment of a Panel) for the dispute. If a Party has referred the issue to the designated authorities and they have not decided the issue within six months of the referral, the panel shall decide the issue;

(b) If an issue arises as to whether a measure is a taxation measure in connection with a claim by an investor of a Party, the Party that has received notice of intention to submit a claim or against which an investor of a Party has submitted a claim may refer the issue to the designated authorities of the Parties. The designated authorities shall decide whether the measure is a taxation measure, and their decision shall bind a Tribunal with jurisdiction over the claim. A Tribunal seized of a claim in which the same issue arises may not proceed while the designated authorities are considering the issue. If a Party has referred the issue to the designated authorities and they have not decided the issue within six months of the teferral, the Tribunal shall decide the issue;

(c) If an issue arises as to whether a tax convention prevails over this Agreement in a dispute between the Parties, a Party to the dispute may refer the issue to the designated authorities of the Parties. The designated authorities shall consider the issue and decide whether the tax convention prevails. If within six months of the referral of the issue to the designated authorities, they decide with respect to the measure that gives rise to the issue that the tax convention prevails, procedures concerning that measure may not be initiated under Article 22.07 (Dispute Settlement - Establishment of a Panel). Procedures concerning the measure may not be initiated while the designated authorities are considering the issue. If a Party has referred the issue to the designated authorities and they have not decided the issue within six months of the referral, the panel shall decide the issue;

(d) If an issue arises as to whether a tax convention prevails over this Agreement prior to the submission of a claim by an investor of a Party, the Party that has received notice of intention to submit a claim may refer the issue to the designated authorities of the Parties. The designated authorities shall consider the issue and decide whether the tax convention prevails. If within six months of the referral of the issue to the designated authorities, they decide with respect to the measure that gives rise to the issue that the tax convention prevails, a claim concerning that measure may not be submitted under Article 9.23 (Investment - Submission of a Claim to Arbitration).A claim concerning the measure may not be submitted while the designated authorities are considering the issue. An investor of a Party that fails to identify a taxation measure in its notice of intention to submit a claim may not submit a claim concerning that measure under Article 9.23 (Investment - Submission of a Claim to Arbitration). If a Party has referred the issue to the designated authorities and they have not decided the issue within six months of the referral, the panel shall decide the issue.

11.If an investor invokes Article 9.11 (Investment - Expropriation) as the basis for a claim under Article 9.20 (Investment - Claim by an Investor of a Party on Its Own Behalf) or 9.21 (investment - Claim by an Investor of a Party on Behalf of an Enterprise), the designated authorities shall make a determination under paragraph 8 of whether a measure is an expropriation concurrently with a decision under paragraph 10(b) of whether the measure is a taxation measure.

12. The designated authorities seized of an issue under paragraphs 8, 9 or 10 may modify the time period allowed to decide the issue.

13. This Agreement does not require a Party to furnish or allow access to information whose disclosure would be contrary to that Party's law protecting information concerning the taxation affairs of a taxpayer.

Article 23.05. Disclosure of Information

1. This Agreement does not require a Party to furnish or allow access to information which if disclosed would impede law enforcement, or would be contrary to the Partyâs law protecting the deliberative and policy-making processes of the executive branch of government at the cabinet level, personal privacy or the financial affairs and accounts of individual customers of financial institutions.

2. In the course of a dispute settlement procedure under this Agreement:

(a) a Party is not required to furnish or allow access to information protected under its competition laws;

(b) a competition authority of a Party is not required to furnish or allow access to information that is privileged or otherwise protected from disclosure.

Article 23.06. Cultural Industries

This Agreement does not apply to a measure adopted or maintained by a Party with respect to a cultural industry except as specifically provided in Article 2.04 (National Treatment and Market Access for Goods - Tariff Elimination).

Article 23.07. World Trade Organization Waivers

If a right or obligation in this Agreement duplicates one under the WTO Agreement, the Parties agree that a measure adopted by a Party in conformity with a waiver decision adopted by the WTO pursuant to Article IX of the WTO Agreement is deemed to be also in conformity with the present Agreement. Such conforming measure of either Party may not give rise to a claim by an investor of one Party against the other under Section C of Chapter Nine (Settlement of Disputes between an Investor and the Host Party).

Chapter Twenty-Four. FINAL PROVISIONS

Article 24.01. Annexes, Appendices and Footnotes

The Annexes, Appendices and footnotes to this Agreement constitute integral parts of this Agreement.

Article 24.02. Amendments

1. The Agreement may be amended in writing by mutual consent of the Parties.

2. An amendment shall enter into force following an exchange of written notifications by the Parties certifying the completion of their respective necessary legal procedures. The amendment shall enter into force on the date agreed upon by the Parties.

Article 24.03. Reservations and Unilateral Declarations

This Agreement may not be subject to reservations nor to interpretive statements at the time of its ratification.

Article 24.04. Entry Into Force

Each Party shall notify the other Party in writing of the completion of its legal or constitutional procedures required for the entry into force of this Agreement. This Agreement shall enter into force on the first day of the second month following the latter notification of the completion of the procedures for the entry into force.

Article 24.05. Termination

This Agreement may be terminated by either Party by giving notice in writing. It shall cease to be in force 6 months after the date of receipt of that notice.

Article 24.06. Accession

A state or a regional economic organisation may accede to this Agreement upon terms and conditions to be set out in an Agreement on Accession between the Parties and the acceding state. The Parties and the acceding state or regional economic organisation shall notify each other through diplomatic channels of the completion of the domestic procedures necessary to approve the Agreement on Accession. The Agreement on Accession shall enter into force on the first day of the second month following the later of these notifications.

IN WITNESS WHEREOF, the undersigned, being duly authorized by their respective Governments, have signed this Agreement.

DONE in duplicate at , this day of 2010, in the English, French and Spanish languages, each version being equally authentic

FOR CANADA

FOR THE REPUBLIC OF PANAMA

Annex I. Reservations for existing measures

The Schedule of a Party sets out, under Articles 9.09 (Investment - Reservations and Exceptions) and 10.07 (Cross-Border Trade in Services - Reservations), the reservations taken by that Party for existing measures of a Party that do not conform with obligations imposed by:

Articles 9.04 (Investment - National Treatment) or 10.03 (Cross-Border Trade in Services - National Treatment);

Articles 9.05 (Investment - Most-Favoured-Nation Treatment) or 10.04 (Cross-Border Trade in Services - Most-Favoured-Nation Treatment);

Article 10.06 (Cross-Border Trade in Services - Local Presence);

Article 9.07 (Investment - Performance Requirements);

Article 9.08 (Investment - Senior Management and Boards of Directors); or

Article 10.05 (Cross-Border Trade in Services - Market Access).

Each reservation sets out the following elements:

Sector refers to the general sector in which the reservation is taken;

Sub-Sector refers to the specific sector in which the reservation is taken;

Industry Classification refers, where applicable, to the activity covered by the reservation according to industry classification codes;

Type of Reservation specifies the obligation referred to in paragraph 1 for which a reservation is taken;

Measure identifies a law, regulation or other measure, as qualified, where indicated, by the Description element, for which the reservation is taken. A measure cited in the Measureelement:

means the measure as amended, continued or renewed as of the date of entry into force of this Agreement, and

includes a subordinate measure adopted or maintained under the authority of and consistent with the measure; and

Description sets out the non-conforming aspects of the existing measure for which the reservation is taken. It may also set out commitments for liberalization.

In the interpretation of a reservation, all elements of the reservation, with the exception of Industry Classification, are considered. The Measure element prevails over other elements, unless a discrepancy between the Measure element and the other elements considered in their totality is so substantial and material that it would be unreasonable to conclude that the Measure element prevails, in which case the other elements prevail to the extent of that discrepancy. A reservation is interpreted in the light of the relevant provisions of the Articles against which the reservation is taken.

Where a Party maintains a measure that requires a service provider be a citizen, permanent resident or resident of its territory as a condition to the provision of a service in its territory, a reservation for that measure taken with respect to Article 10.03, 10.04 or 10.06 (Cross-Border Trade in Services - National Treatment, Most-Favoured-Nation or Local Presence) operates as a reservation with respect to Article 9.04, 9.05 or 9.07 (Investment - National Treatment, Most-Favoured-Nation or Performance Requirements) to the extent of that measure.

The listing of a measure in this Annex is without prejudice to a future claim that Annex II may apply to the measure or some application of the measure.

For purposes of this Annex:

CPC means Central Product Classification (CPC) numbers as set out in Statistical Office of the United Nations, Statistical Papers, Series M, No. 77, Provisional Central Product Classification, 1991; and

SIC means Standard Industrial Classification (SIC) numbers as set out in Statistics Canada, Standard Industrial Classification, fourth edition, 1980.

Annex I. Schedule of Canada

Sector:

All Sectors

Sub-Sector:

Industry Classification:

Type of Reservation:

National Treatment (Article 9.04)

Performance Requirements (Article 9.07)

Senior Management and Boards of Directors (Article 9.08)

Measures:

Investment Canada Act, R.S.C. 1985, c. 28 (1st Supp.)

Investment Canada Regulations, SOR/85-611, as qualified by paragraphs 8 through 12 of the Description element

Description: Investment

Under the Investment Canada Act, the following acquisitions of Canadian businesses by a non-Canadian are subject to review by the Director of Investments:

a direct acquisition of a Canadian business with assets of C$5 million or more;

indirect acquisition of a Canadian business with assets of C$50 million or more; and

indirect acquisition of a Canadian business with assets between C$5 million and C$50 million that represent more than 50% of the value of the assets of all the entities the control of which is being acquired, directly or indirectly, in the transaction in question.

For the purposes of this reservation:

non-Canadian is an individual, government or agency thereof or an entity that is not Canadian; and

Canadian means a Canadian citizen or permanent resident, government in Canada or agency thereof, or a Canadian-controlled entity as described in the Investment Canada Act.

In addition, the specific acquisition or establishment of a new business in designated types of business activities relating to Canada's cultural heritage or national identity may be subject to review if the Governor-in-Council authorizes a review in the public interest.

An investment subject to review under the Investment Canada Act may not be implemented unless the Minister responsible for theInvestment Canada Actadvises the applicant that the investment is likely to be of net benefit to Canada. This determination is made in accordance with 6 factors described in the Act, summarized as follows:

the effect of the investment on the level and nature of economic activity in Canada, including the effect on employment, on the use of parts, components and services produced in Canada and on exports from Canada;

the degree and significance of participation by Canadians in the investment;

the effect of the investment on productivity, industrial efficiency, technological development and product innovation in Canada;

the effect of the investment on competition within an industry in Canada;

the compatibility of the investment with national industrial, economic and cultural policies, taking into consideration industrial, economic and cultural policy objectives enunciated by the government or legislature of any province likely to be significantly affected by the investment; and

the contribution of the investment to Canada's ability to compete in world markets.

In making a net benefit determination, the Minister, through the Director of Investments, may review plans under which the applicant demonstrates the net benefit to Canada of the proposed acquisition. An applicant may also submit undertakings to the Minister in connection with a proposed acquisition that is the subject of review. In the event that an applicant fails to comply with an undertaking, the Minister may seek a court order directing compliance or another remedy authorized under the Investment Canada Act.

A non-Canadian who establishes or acquires a Canadian business, other than those that are subject to review as described above must notify the Director of Investments.

The Director of Investments will review an “acquisition of control”, as defined in the Investment Canada Act, of a Canadian business by an investor of Panama if the value of the gross assets of the Canadian business is not less than the applicable threshold.

The higher review threshold, calculated as set out in paragraph 13, does not apply to an acquisition in the cultural businesses sector.

Notwithstanding the definition of “investor of a Party” in Article 9.01, an investor may benefit from the higher review threshold only if that investor is:

a national of Panama; or

an entity controlled, as provided for in the Investment Canada Act, by a national of Panama.

An indirect “acquisition of control” by an investor of Panama of a Canadian business in a sector other than those sectors identified in paragraph 8 is not reviewable.

In connection with reviewing an acquisition of an investment under the Investment Canada Act, Canada may impose requirements or enforce a commitment or undertaking in connection with the establishment, acquisition, expansion, conduct or operation of an investment of an investor of Panama or of a non-Party for the transfer of technology, production process or other proprietary knowledge to a national or enterprise, affiliated to the transferor, in Canada.

Except for requirements, commitments or undertakings relating to technology transfer as set out in paragraph 11 of this reservation, Article 9.07 applies to requirements, commitments or undertakings imposed or enforced under the Investment Canada Act. Article 9.07 shall not be construed to apply to a requirement, commitment or undertaking imposed or enforced in connection with a review under the Investment Canada Act to locate production, carry out research and development, employ or train workers, or construct or expand particular facilities, in Canada.

For direct acquisition of control by an investor of Panama or for an investor of a non-Party where the Canadian business is controlled by an investor of Panama, the applicable threshold for review is C$299 million for 2010 and in January of each subsequent year the amount will be determined by the Minister using the following formula:

Annual Adjustment=Current Nominal GDP at Market PricesPrevious Year Nominal GDP at Market Pricesxamount determined for previous year

Current Nominal GDP at Market Prices means the average of the Nominal Gross Domestic Products at Market Prices for the most recent 4 consecutive quarters.

Previous Year Nominal GDP at Market Prices means the average of the Nominal Gross Domestic Products for the 4 consecutive quarters for the comparable period in the year preceding the year used in calculating the Current Nominal GDP at Market Prices.

For the above-mentioned purposes, the amounts will be rounded to the nearest million CAD.

Sector:

All Sectors

Sub-Sector:

Industry Classification:

Type of Reservation:

National Treatment (Article 9.04)

Senior Management and Boards of Directors (Article 9.08)

Measures:

As set out in the Description element.

Description: Investment

Canada or a province or territory, when selling or disposing of its equity interests in, or the assets of, an existing government enterprise or an existing governmental entity, may prohibit or impose limitations on the ownership of such interests or assets and on the ability of owners of such interests or assets to control a resulting enterprise by investors of Panama or of a non-Party or their investments. With respect to such a sale or other disposition, Canada or a province or territory may adopt or maintain a measure relating to the nationality of senior management or members of the board of directors.

For the purposes of this reservation:

a measure maintained or adopted after the date of entry into force of this Agreement that, at the time of sale or other disposition, prohibits or imposes a limitation on the ownership of equity interests or assets or imposes a nationality requirement described in this reservation is an existing measure; and

government enterprise means an enterprise owned or controlled through ownership interests by Canada or a province or territory, and includes an enterprise established after the date of entry into force of this Agreement solely for the purposes of selling or disposing of equity interests in, or the assets of, an existing State enterprise or governmental entity.

Sector:

All Sectors

Sub-Sector:

Industry Classification:

Type of Reservation:

National Treatment (Article 9.04)

Measures:

Canada Business Corporations Act, R.S.C. 1985, c. C-44

Canada Business Corporations Regulations, SOR/2001-512

Canada Corporations Act, R.S.C. 1970, c. C-32

Description: Investment

Canada may place constraints on the issue, transfer and ownership of shares in a federally incorporated corporation. The object of those constraints is to permit a corporation to meet Canadian ownership requirements, under certain laws set out in the Canada Business Corporations Regulations, in sectors where ownership is required as a condition to operate or to receive licences, permits, grants, payments or other benefits. In order to maintain certain Canadian ownership levels, a corporation is permitted to sell shareholders' shares without the consent of those shareholders, and to purchase its own shares on the open market.

For the purposes of this reservation Canadian means "Canadian" as defined in the Canada Business Corporations Regulations.

Sector:

All Sectors

Sub-Sector:

Industry Classification:

Type of Reservation:

Senior Management and Boards of Directors (Article 9.08)

Measures:

Canada Business Corporations Act, R.S.C. 1985, c.C-44

Canada Business Corporations Regulations, SOR/2001-512

Canada Corporations Act, R.S.C. 1970, c. C-32

Special Acts of Parliament incorporating specific companies

Description: Investment

The Canada Business Corporations Act requires, for most federally incorporated corporations, that 25% of directors be resident Canadians. A simple majority of resident Canadian directors is required for corporations in the following sectors: uranium mining; book publishing or distribution; book sales, where the sale of books is the primary part of the corporation's business, and film or video distribution. Similarly, corporations that, by an Act of Parliament or Regulation, are individually subject to minimum Canadian ownership requirements are required to have a majority of resident Canadian directors.

For the purposes of the Act, resident Canadian means a natural person who is a Canadian citizen ordinarily resident in Canada, a citizen who is a member of a class set out in the Canada Business Corporations Regulations, or a permanent resident as defined in theImmigration and Refugee Protection Act other than one who has been ordinarily resident in Canada for more than one year after becoming eligible to apply for Canadian citizenship.

In the case of a holding corporation, not more than one-third of the directors need be resident Canadians if the earnings in Canada of the holding corporation and its subsidiaries are less than 5% of the gross earnings of the holding corporation and its subsidiaries.

Under Part IV of the Canada Corporations Act, a simple majority of the elected directors of a Special Act corporation is required to be resident in Canada and citizens of a Commonwealth country. This requirement applies to every joint stock company incorporated subsequent to June22,1869, by any Special Act of Parliament.

Sector:

All Sectors

Sub-Sector:

Industry Classification:

Type of Reservation:

National Treatment (Article 9.04)

Measures:

Citizenship Act, R.S.C. 1985, c. C-29

Foreign Ownership of Land Regulations, SOR/79-416

Description: Investment

The Foreign Ownership of Land Regulations are made pursuant to the Citizenship Act and the Agricultural and Recreational Land Ownership Act, RSA 1980, c. A-9. In Alberta, an ineligible person or foreign-owned or -controlled corporation may only hold an interest in controlled land consisting of a maximum of 2 parcels containing, in the aggregate, a maximum of 20 acres.

For the purposes of this reservation:

ineligible person means:

a natural person who is not a Canadian citizen or permanent resident;

a foreign government or agency thereof; or

a corporation incorporated in a country other than Canada;

controlled land means land in Alberta but does not include:

land of the Crown in right of Alberta;

land within a city, town, new town, village or summer village; and

mines or minerals.

Sector:

All Sectors

Sub-Sector:

Industry Classification:

Type of Reservation:

National Treatment (Article 9.04)

Measures:

Air Canada Public Participation Act, R.S.C. 1985, c. 35 (4th Supp.)

Canadian Arsenals Limited Divestiture Authorization Act, S.C. 1986, c. 20

Eldorado Nuclear Limited Reorganization and Divestiture Act, S.C. 1988, c. 41

Nordion and Theratronics Divestiture Authorization Act, S.C. 1990, c. 4

Description: Investment

A “non-resident” or “non-residents” may not own more than a specified percentage of the voting shares of the corporation to which each Act applies. For some companies the restrictions apply to individual shareholders, while for others the restrictions may apply in the aggregate. Where there are limits on the percentage that an individual Canadian investor can own, these limits also apply to non-residents. The restrictions are as follows:

Air Canada: 25% in the aggregate;

Cameco Limited (formerly Eldorado Nuclear Limited): 15% per non-resident natural person, 25% in the aggregate;

Nordion International Inc.: 25% in the aggregate;

Theratronics International Limited: 49% in the aggregate; and

Canadian Arsenals Limited: 25% in the aggregate.

For the purposes of this reservation, “non-resident” includes:

a natural person who is not a Canadian citizen and not ordinarily resident in Canada;

a corporation incorporated, formed or otherwise organized outside Canada;

the government of a foreign State or a political subdivision thereof, or a person empowered to perform a function or duty on behalf of such a government;

a corporation that is controlled directly or indirectly by an entity referred to in subparagraphs (a) through (c);

a trust:

established by an entity referred to in subparagraphs (b) through (d), other than a trust for the administration of a pension fund for the benefit of natural persons the majority of whom are resident in Canada, or

in which an entity referred to in subparagraphs (a) through (d) has more than 50% of the beneficial interest; and

a corporation that is controlled directly or indirectly by a trust referred to in subparagraph (e).

Sector:

All Sectors

Sub-Sector:

Industry Classification:

Type of Reservation:

Local Presence (Article 10.06)

Measure:

Export and Import Permits Act, R.S.C. 1985, c.E-19

Description: Cross-Border Trade in Services

Only a natural person ordinarily resident in Canada, an enterprise with its head office in Canada or a branch office in Canada of a foreign enterprise may apply for and be issued an import or export permit or transit authorization certificate for a good or related service subject to controls under the Export and Import Permits Act.

Sector:

Business Service Industries

Sub-Sector:

Customs Brokers

Industry Classification:

SIC 7794 Customs Brokers

CPC 749 Other supporting and auxiliary transport services

Type of Reservation:

National Treatment (Article 10.03)

Local Presence (Article 10.06)

Senior Management and Boards of Directors (Article 9.08)

Measures:

Customs Act, R.S.C. 1985, c. 1 (2nd Supp.)

Customs Brokers Licensing Regulations, SOR/86-1067

Description: Cross-Border Trade in Services and Investment

To be a licensed customs broker in Canada:

a natural person must be a Canadian national;

a corporation must be incorporated in Canada with a majority of its directors being Canadian nationals; and

a partnership must be composed of persons who are Canadian nationals, or corporations incorporated in Canada with a majority of their directors being Canadian nationals.

Sector:

Business Service Industries

Sub-Sector:

Duty Free Shops

Industry Classification:

SIC 6599 Other Retail Stores, Not Elsewhere Classified (limited to duty free shops)

CPC 631, 632 (limited to duty-free shops)

Type of Reservation:

National Treatment (Article 9.04)

National Treatment (Article 10.03)

Local Presence (Article 10.06)

Measures:

Customs Act, R.S.C. 1985, c. 1 (2nd Supp.)

Duty Free Shop Regulations, SOR/86-1072

Description: Cross-Border Trade in Services and Investment

To be a licensed duty free shop operator at a land border crossing in Canada, a natural person must:

be a Canadian national;

be of good character;

be principally resident in Canada; and

have resided in Canada for at least 183 days of the year preceding the year of application for the licence.

To be a licensed duty free shop operator at a land border crossing in Canada, a corporation must:

be incorporated in Canada; and

have all of its shares beneficially owned by Canadian nationals who meet the requirements of paragraph 1.

Sector:

Business Service Industries

Sub-Sector:

Examination Services relating to the Export and Import of Cultural Property

Industry Classification:

SIC 999 Other Services, Not Elsewhere Classified (limited to cultural property examination services)

CPC 96321 Museum services except for historical sites and buildings (limited to cultural property examination services)

CPC 87909 Other business services n.e.c. (limited to cultural property examination services)

Type of Reservation:

Local Presence (Article 10.06)

Measure:

Cultural Property Export and Import Act, R.S.C.1985, c.C-51

Description: Cross-Border Trade in Services

Only a resident of Canada or an institution in Canada may be designated as an expert examiner of cultural property for the purposes of the Cultural Property Export and Import Act.

For the purposes of this reservation:

institution means an entity that is publicly owned and operated solely for the benefit of the public, that is established for educational or cultural purposes and that conserves objects and exhibits them;

resident of Canada means a natural person who is ordinarily resident in Canada, or a corporation that has its head office in Canada or maintains an establishment in Canada to which employees employed in connection with the business of the corporation ordinarily report for work.

Sector:

Business Service Industries

Sub-Sector:

Patent Agents

Industry Classification:

SIC 999 Other Services, Not Elsewhere Classified (limited to patent agency)

CPC 86120 Legal advisory and representation services in statutory procedures of quasi-judicial tribunals, boards, etc. (limited to patent agency)

Type of Reservation:

National Treatment (Article 10.03)

Local Presence (Article 10.06)

Measures:

Patent Act, R.S.C. 1985, c. P-4

Patent Rules, SOR/96-423

Description: Cross-Border Trade in Services

To represent a person in the presentation and prosecution of a patent application or in other business before the Patent Office, a patent agent must be resident in Canada and registered by the Patent Office.

A registered patent agent who is not resident in Canada must appoint a registered patent agent who is resident in Canada as an associate to prosecute an application for a patent.

Sector:

Business Service Industries

Sub-Sector:

Trade-mark Agents

Industry Classification:

SIC 999 Other Services, Not Elsewhere Classified (limited to trade-mark agency)

CPC 86120 Legal advisory and representation services in statutory procedures of quasi-judicial tribunals, boards, etc. (limited to copyright/trade-mark agency)

Type of Reservation:

National Treatment (Article 10.03)

Local Presence (Article 10.06)

Measures:

Trade-marks Act, R.S.C. 1985, c. T-13

Trade-marks Regulations, SOR/96-195

Description: Cross-Border Trade in Services

To represent a person in the presentation and prosecution of an application for a trade-mark or in other business before the Trade-mark Office, a trade-mark agent must be resident in Canada and registered by the Trade-mark Office.

A registered trade-mark agent who is not resident in Canada must appoint a registered trade-mark agent who is resident in Canada as an associate to prosecute an application for a trade-mark.

Sector:

Energy

Sub-Sector:

Oil and Gas

Industry Classification:

SIC 071 Crude Petroleum and Natural Gas Industries

CPC 883 Services incidental to mining

Type of Reservation:

National Treatment (Article 9.04)

Measures:

Canada Petroleum Resources Act, R.S.C. 1985, c. 36 (2ndSupp.)

Territorial Lands Act, R.S.C. 1985, c. T-7

Federal Real Property and Federal Immovables Act, S.C.1991, c. 50

Canada-Newfoundland Atlantic Accord Implementation Act, S.C. 1987, c. 3

Canada-Nova Scotia Offshore Petroleum Resources Accord Implementation Act, S.C. 1988, c. 28

Description: Investment

This reservation applies to production licences issued for “frontier lands” and “offshore areas” (areas not under provincial jurisdiction) as defined in the applicable measures.

A person who holds an oil and gas production licence or shares therein must be a corporation incorporated in Canada.

Sector:

Energy

Sub-Sector:

Oil and Gas

Industry Classification:

SIC 071 Crude Petroleum and Natural Gas Industries

CPC 883 Services incidental to mining

Type of Reservation:

Performance Requirements (Article 9.07)

Local Presence (Article 10.06)

Measures:

Canada Oil and Gas Production and Conservation Act, R.S.C. 1985, c. O-7, as amended by the Canada Oil and Gas Operations Act, S.C. 1992, c. 35

Canada - Nova Scotia Offshore Petroleum Resources Accord Implementation Act, S.C. 1988, c. 28

Canada - Newfoundland Atlantic Accord Implementation Act, S.C. 1987, c. 3

Measures implementing the Canada-Yukon Oil and Gas Accord

Measures implementing the Northwest Territories Oil and Gas Accord

Description: Cross-Border Trade in Services and Investment

Under the Canada Oil and Gas Operations Act, a “benefits plan” must be approved by the Minister in order to be authorized to proceed with an oil and gas development project.

A “benefits plan” is a plan for the employment of Canadians and for providing Canadian manufacturers, consultants, contractors and service companies with a full and fair opportunity to participate on a competitive basis in the supply of

goods and services used in proposed work or activity referred to in the benefits plan.

The benefits plan contemplated by the Canada Oil and Gas Operations Act permits the Minister to impose on the applicant an additional requirement to ensure that disadvantaged individuals or groups have access to training and employment opportunities or can participate in the supply of goods and services used in proposed work referred to in the benefits plan.

The Canada - Nova Scotia Offshore Petroleum Resources Accord Implementation Act and the Canada - Newfoundland Atlantic Accord Implementation Acthave the same requirement for a benefits plan but also require that the benefits plan ensures that:

the corporation or other body submitting the plan establishes in the applicable province an office where appropriate levels of decision-making are to take place, prior to carrying out work or an activity in the offshore area;

expenditures be made for research and development to be carried out in the province, and for education and training to be provided in the province; and

first consideration be given to goods produced or services provided from within the province, where those goods or services are competitive in terms of fair market price, quality and delivery.

The Boards administering the benefits plan under these Acts may also require that the plan include provisions to ensure that disadvantaged individuals or groups, or corporations owned or cooperatives operated by them, participate in the supply of goods and services used in proposed work or activity referred to in the plan.

In addition, Canada may impose a requirement or enforce a commitment or undertaking for the transfer of technology, a production process or other proprietary knowledge to a person of Canada in connection with the approval of development projects under the applicable Acts.

Provisions similar to those set out above are included in laws which implement the Canada-Yukon Oil and Gas Accord.

Provisions similar to those set out above will be included in laws or regulations to implement the Northwest Territories Oil and Gas Accord. For the purposes of this reservation this accord shall be deemed, once concluded, to be an existing measure.

Sector:

Energy

Sub-Sector:

Oil and Gas

Industry Classification:

SIC 071 Crude Petroleum and Natural Gas Industries

CPC 883 Services incidental to mining

Type of Reservation:

Performance Requirements (Article 9.07)

Measures:

Canada - Newfoundland Atlantic Accord Implementation Act, S.C. 1987, c. 3

Hibernia Development Project Act, S.C. 1990, c. 41

Description: Investment

Under the Hibernia Development Project Act, Canada and the Hibernia Project Owners may enter into agreements. Those agreements may require the Project Owners to undertake to perform certain work in Canada and Newfoundland and to use their best efforts to achieve specific Canadian and Newfoundland target levels in relation to the provisions of a “benefits plan” required under theCanada - Newfoundland Atlantic Accord Implementation Act. “Benefits plans” are further described in the Schedule of Canada, Annex I at pages I-C-26-28.

In addition, Canada may impose in connection with the Hibernia project a requirement or enforce a commitment or undertaking for the transfer of technology, a production process or other proprietary knowledge to a national or enterprise

in Canada.

Sector:

Energy

Sub-Sector:

Uranium

Industry Classification:

SIC 0616 Uranium Mines

CPC 883 Services incidental to mining

Type of Reservation:

National Treatment (Article 9.04)

Most-Favoured-Nation Treatment (Article 9.05)

Measures:

Investment Canada Act, R.S.C. 1985, c. 28 (1stSupp.)

Investment Canada Regulations, SOR/85-611

Non-Resident Ownership Policy in the Uranium Mining Sector, 1987

Description: Investment

Ownership by “non-Canadians”, as defined in the Investment Canada Act, of a uranium mining property is limited to 49% at the stage of first production. Exceptions to this limit may be permitted if it can be established that the property is in fact “Canadian controlled” as defined in the Investment Canada Act.

Exemptions from the policy are permitted, subject to approval of the Governor-in-Council, only in cases where Canadian participants in the ownership of the property are not available. Investments in properties by non-Canadians, made prior to December 23, 1987 and that are beyond the permitted ownership level, may remain in place. No increase in non-Canadian ownership is permitted.

Sector:

Professional, Technical and Specialized Services

Sub-Sector:

Professional Services

Industry Classification:

CPC 862 Auditing Services

Type of Reservation:

National Treatment (Article 10.03)

Most-Favoured-Nation Treatment (Article 10.04)

Local Presence (Article 10.06)

Measures:

Bank Act,S.C. 1991, c. 46

Insurance Companies Act,S.C. 1991, c. 47

Cooperative Credit Associations Act, S.C. 1991, c. 48

Trust and Loan Companies Act, S.C. 1991, c. 45

Description: Cross-Border Trade in Services

Banks are required to have a firm of accountants to be auditors of the bank. A firm of accountants must be qualified as set out in the Bank Act. Among the qualifications required is that two or more members of the firm must be ordinarily resident in Canada and that the member of the firm jointly designated by the firm and the bank to conduct the audit must be ordinarily resident in Canada.

An insurance company, a cooperative credit association, and a trust or loan company require an auditor who can either be a natural person or a firm of accountants. An auditor of such an institution must be qualified as set out in the Insurance Companies Act, theCooperative Credit Associations Act or the Trust and Loan Companies Act, as the case may be. In the case where a natural person is appointed to be the auditor of such a financial institution, among the qualifications required is that the person must be ordinarily resident in Canada. In the case where a firm of accountants is appointed to be the auditor of such a financial institution, the member of the firm jointly designated by the firm and the financial institution to conduct the audit must be ordinarily resident in Canada.

Sector:

Transportation

Sub-Sector:

Air Transportation

Industry Classification:

SIC 451 Air Transport Industries

CPC 731 Passenger transportation by air

CPC 732 Freight transportation by air

Specialty air services, as set out in the Description section below

Type of Reservation:

National Treatment (Article 9.04)

Measures:

Canada Transportation Act, S.C. 1996, c. 10

Aeronautics Act, R.S.C. 1985, c. A-2

Canadian Aviation Regulations, SOR/96-433:

Part II “Aircraft Markings & Registration”;

Part IV “Personnel Licensing & Training”; and

Part VII “Commercial Air Services”.

Description: Investment

Only a Canadian operator of commercial air services may operate Canadian-registered aircraft. These regulations require an operator to be Canadian in order to obtain a Canadian Air Operator Certificate and to qualify to register aircraft as Canadian.

Only a Canadian may provide the following commercial air transportation services:

“domestic services” (air services between points, or from and to the same point, in the territory of Canada, or between a point in the territory of Canada and a point not in the territory of another country);

“scheduled international services” (scheduled air services between a point in the territory of Canada and a point in the territory of another country) where those services have been reserved to Canadian carriers under existing or future air services agreements;

“non-scheduled international services” (non-scheduled air services between a point in the territory of Canada and a point in the territory of another country) where those services have been reserved to Canadian carriers under the Canada Transportation Act;

“specialty air services” (include aerial mapping, aerial surveying, aerial photography, forest fire management, fire-fighting, aerial advertising, glider towing, parachute jumping, aerial construction, heli-logging, aerial inspection, aerial surveillance, flight training, aerial sightseeing and aerial crop spraying).

A foreign natural person may not own a Canadian-registered aircraft for private use.

A corporation incorporated in Canada but that does not meet the Canadian ownership and control requirements may only register an aircraft for private use when the corporation is the sole owner of the aircraft. The Canadian Aviation Regulations also have the effect of limiting non-Canadian corporations operating foreign-registered private aircraft within Canada to the carriage of their own employees.

For the purposes of this reservation, “Canadian” has the meaning set out in Section 55 of the Canada Transportation Act and incorporated by reference in regulations made under the Aeronautics Act:

“Canadian’ means a Canadian citizen or a permanent resident within the meaning of subsection 2(1) of the Immigration and Refugee Protection Act, a government in Canada or an agent of such a government or a corporation or other entity that is incorporated or formed under the laws of Canada or a province, that is controlled in fact by Canadians and of which at least seventy-five per cent, or such lesser percentage as the Governor in Council may by regulation specify, of the voting interests are owned and controlled by Canadians”

Sector:

Transportation

Sub-Sector:

Air Transportation

Industry Classification:

SIC 4523 Aircraft Servicing Industry

SIC 3211 Aircraft and Aircraft Parts Industry

Not CPC defined: Aircraft repair and maintenance services, as defined in the Cross-Border Trade in Services Chapter

Type of Reservation:

Local Presence (Article 10.06)

Measures:

Aeronautics Act, R.S.C. 1985, c. A-2

Canadian Aviation Regulations, SOR/96-433:

Part IV “Personnel Licensing & Training”;

Part V “Airworthiness”;

Part VI “General Operating & Flight Rules”; and

Part VII “Commercial Air Services”.

Description: Cross-Border Trade in Services

Aircraft and other aeronautical product repair, overhaul or maintenance activities required to maintain the airworthiness of Canadian-registered aircraft and other aeronautical products must be performed by Canadian-certified persons (namely approved maintenance organizations and aircraft maintenance engineers). Certifications are not provided for persons located outside Canada, except sub-organizations of approved maintenance organizations that are located in Canada.

Sector:

Transportation

Sub-Sector:

Land Transportation

Industry Classification:

SIC 456 Truck Transport Industries

SIC 4572 Interurban and Rural Transit Systems Industry

SIC 4573 School Bus Operations Industry

SIC 4574 Charter and Sightseeing Bus Services Industry

CPC 7121 Other scheduled passenger transportation by land other than by railway

CPC 7122 Other non-scheduled passenger transportation by land other than by railway

CPC 7123 Freight transportation by land other than by railway

Type of Reservation:

National Treatment (Article 10.03)

Local Presence (Article 10.06)

Measures:

Motor Vehicle Transport Act, R.S.C. 1985, c. 28 (3rdSupp.), as amended by S.C. 2001, c. 13

Canada Transportation Act, S.C. 1996, c. 10

Customs Tariff, 1997, c. 36

Description: Cross-Border Trade in Services

Only a person of Canada using Canadian-registered and Canadian built or duty-paid trucks or buses may provide truck or bus services between points in the territory of Canada.

Sector:

Transportation

Sub-Sector:

Water Transportation

Industry Classification:

SIC 4541 Freight and Passenger Water Transport Industry

SIC 4542 Ferry Industry

SIC 4543 Marine Towing Industry

SIC 4549 Other Water Transport Industries

SIC 4553 Marine Salvage Industry

SIC 4559 Other Service Industries Incidental to Water Transport

CPC 721 Transport services by sea-going vessels

CPC 722 Transport services by non-sea-going vessels

CPC 74540 Vessel salvage and refloating services

CPC 74590 Other supporting services for water transport

Type of Reservation:

National Treatment (Article 9.04)

National Treatment (Article 10.03)

Local Presence (Article 10.06)

Measure:

Canada Shipping Act, 2001, S.C. 2001, c. 26

Description: Cross-Border Trade in Services and Investment

To register a ship in Canada, the owner of that ship or the person who has exclusive possession of that ship must be:

a Canadian citizen or a permanent resident within the meaning of subsection 2(1) of the Immigration and Refugee Protection Act;

a corporation incorporated under the domestic law of Canada or a province or territory; or

when the ship is not already registered in another country, a corporation incorporated under the domestic law of a country other than Canada if one of the following is acting with respect to all matters relating to the ship:

a subsidiary of the corporation that is incorporated under the domestic law of Canada or a province or territory,

an employee or director in Canada of a branch office of the corporation that is carrying on business in Canada, or

a ship management company incorporated under the laws of Canada or a province or territory.

A ship registered in a foreign country that has been bareboat chartered may be listed in Canada for the duration of the charter while the ship's registration is suspended in its country of registry, if the charterer is:

a Canadian citizen or permanent resident as defined in subsection 2(1) of the Immigration and Refugee Protection Act; or

a corporation incorporated under the domestic law of Canada or a province or territory.

Sector:

Transportation

Sub-Sector:

Water Transportation

Industry Classification:

SIC 4541 Freight and Passenger Water Transport Industry

SIC 4542 Ferry Industry

SIC 4543 Marine Towing Industry

SIC 4549 Other Water Transport Industries

SIC 4553 Marine Salvage Industry

SIC 4554 Piloting Service, Water Transport Industry

SIC 4559 Other Service Industries Incidental to Water Transport

CPC 721 Transport services by sea-going vessels

CPC 722 Transport services by non-sea-going vessels

CPC 74520 Pilotage and berthing services

CPC 74540 Vessel salvage and refloating services

CPC 74590 Other supporting services for water transport

Type of Reservation:

National Treatment (Article 10.03)

Local Presence (Article 10.06)

Measures:

Canada Shipping Act, 2001, S.C. 2001, c. 26

Marine Certification Regulations, SOR 97-391

Description: Cross-Border Trade in Services

A master, mate, engineer or certain other seafarers must hold a certificate granted by the Minister of Transport as a requirement of service on Canadian-registered ships. Such a certificate may be granted only to a Canadian national.

Sector:

Transportation

Sub-Sector:

Water Transportation

Industry Classification:

SIC 4554 Piloting Service, Water Transport Industry

CPC 74520 Pilotage and berthing services

Type of Reservation:

National Treatment (Article 10.03)

Local Presence (Article 10.06)

Measures:

Pilotage Act, R.S.C. 1985, c. P-14

General Pilotage Regulations, SOR/2000-132

Atlantic Pilotage Authority Regulations, C.R.C. 1978, c.1264

Laurentian Pilotage Authority Regulations, C.R.C. 1978, c.1268

Great Lakes Pilotage Regulations, C.R.C. 1978, c. 1266

Pacific Pilotage Regulations, C.R.C. 1978, c. 1270

Description: Cross-Border Trade in Services

Subject to the Schedule of Canada, Annex II, at pagesII-C-17-18, a licence or a pilotage certificate issued by the relevant regional Pilotage Authority is required to provide pilotage services in the compulsory pilotage waters of the territory of Canada. Only a Canadian national may obtain such a licenceor pilotage certificate. A permanent resident of Canada who has been issued a pilot’s licence or pilotage certificate must become a Canadian citizen within5 years of receipt of such licence or pilotage certificate in order to retain it.

Sector:

Transportation

Sub-Sector:

Water Transportation

Industry Classification:

SIC 454 Water Transport Industry

CPC 721 Transportation services by sea-going vessels

CPC 722 Transportation services by non-sea-going vessels

Type of Reservation:

Local Presence (Article 10.06)

Measure:

Shipping Conferences Exemption Act, 1987, R.S.C. 1985, c.17 (3rd Supp.)

Description: Cross-Border Trade in Services

Members of a shipping conference must maintain jointly an office in the region of Canada where they operate. A shipping conference is an association of ocean carriers that has the purpose or effect of regulating rates and conditions for the transportation by those carriers of goods by water.

Sector:

Transportation

Sub-Sector:

Water Transportation

Industry Classification:

SIC 4541 Freight and Passenger Water Transport Industry

SIC 4542 Ferry Industry

SIC 4543 Marine Towing Industry

CPC 721 Transportation services by sea-going vessels

CPC 722 Transportation services by non-sea-going vessels

Type of Reservation:

Most-Favoured-Nation Treatment (Article 10.04)

Measure:

Coasting Trade Act, S.C. 1992, c. 31

Description: Cross-Border Trade in Services

The prohibitions under the Coasting Trade Act set out in Schedule of Canada, Annex II, at pages II-C-14-16, do not apply to a vessel that is owned by the U.S. Government when used solely for the purpose of transporting goods owned by the U.S. Government from the territory of Canada to supply Distant Early Warning sites.

Annex I. Schedule of Panama

Sector:

All Sectors

Sub-sector:

Retail Sales

Industry Classification:

Type of Reservation:

National Treatment (Article 9.04)

Senior Management and Boards of Directors (Article 9.08)

Measures:

Article 293 of the 1972 Constitution

Articles 4, 7 and 16 of Executive Decree 35 of May 24, 1996

Description: Investment

Only the following persons may own a retail business in Panama:

a Panamanian national by birth;

a natural person who, on the date of entry into force of the 1972 Constitution, was a naturalized Panamanian national, the spouse of a Panamanian national or a natural person who had a child with a Panamanian national;

a natural person who has been a naturalized Panamanian national for at least 3 years;

a foreign national or a juridical person organized under the domestic law of a foreign country that owned a lawful retail business in Panama on the date of entry into force of the 1972 Constitution; and

a juridical person, whether organized under the domestic law of Panama or another country, if ownership of that person is held by a natural person described in subparagraph (a), (b), (c) or (d), as set out in paragraph 5 of Article 293 of the 1972 Constitution.

However, a foreign national not authorized to own a retail business may participate in those companies that sell products manufactured by those companies.

Sector:

Real Property

Sub-sector:

Industry Classification:

Type of Reservation:

National Treatment (Article 9.04)

Measures:

Articles 290 and 291 of the 1972 Constitution

Description: Investment

A foreign government, foreign official or foreign state enterprise may not own real property in Panama, except property used for an embassy.

A foreign national, or enterprise organized under the laws of Panama owned entirely or partially by foreign nationals, may not own real property within 10 kilometers of Panama’s borders.

Sector:

Public Utilities

Sub-sector:

Industry Classification:

Type of Reservation:

National Treatment (Article 9.04)

Measures:

Article 285 of the 1972 Constitution

Description: Investment

The majority of the capital of a private enterprise engaged in public utilities that operate in Panama shall be owned by a Panamanian person, except where provided by domestic law.

Sector:

All Sectors

Sub-sector:

Industry Classification:

Type of Reservation:

National Treatment (Article 10.03)

Senior Management and Boards of Directors (Article 9.08)

Measures:

Article 322 of the 1972 Constitution

Articles 13, 14 and 86 of Law No. 19 of June 11, 1997

Description: Investment and Cross-Border Trade in Services

Preference is given to a Panamanian national over a foreign national for contractual positions in the Panama Canal Authority. A foreign national may be hired instead of a Panamanian national, provided that the position is difficult to fill and that all channels for hiring a qualified Panamanian national have been exhausted and that it is authorized by the Canal Authority Administrator. If the only applicants for a position with the Panama Canal Authority are foreign nationals, preference is given to a foreign national with a Panamanian spouse or a foreign national who has lived in Panama for 10 consecutive years.

Only a Panamanian national can be a director of the Panama Canal Authority.

Sector:

Artistic Activities

Sub-sector:

Musicians and Artists

Industry Classification:

CPC 9619 Other Entertainment Services

CPC 96191 Theatrical Producer, Singer Group, Band and Orchestra Entertainment Services

Type of Reservation:

National Treatment (Article 10.03)

Measures:

Article 1 of Law No. 10 of January 8, 1974

Article 1 of Executive Decree No. 38 of August 12, 1985

Description: Cross-Border Trade in Services

An employer who hires a foreign orchestra or musical group is required to hire a Panamanian orchestra or musical group to perform at each one of the locations where the foreign orchestra or musical group performs. This obligation exists for the duration of the foreign orchestra or musical group's contract. This Panamanian orchestra or musical group must receive at least the amount of USD 1,000.00 per performance. Each member of the group must receive no less than USD 60.00 of this amount.

A Panamanian artist performing alongside a foreign artist must be hired on the same terms and with the same professional considerations. This applies but is not limited to promotions, publicity and advertising related to the event, regardless of the media used.

The hiring of a foreign artist for promotions, or the charitable donation or exchange of the services or works of a foreign artist, will only be approved if it does not adversely affect or displace a Panamanian artist. In any case, the hiring must be submitted for evaluation by an expert to determine the value of the service and work provided for the purpose of paying union fees and dues.

Sector:

Tourism and Travel-related Services

Sub-sector:

Travel Agencies and Tour Operator Services

Industry Classification:

CPC 7471 Travel Agency and Tour Operator Services

Type of Reservation:

National Treatment (Articles 9.04 and 10.03)

Measures:

Article 2 of Law No. 73 of December 22, 1976

Description: Investment and Cross-Border Trade in Services

To engage in the business of Travel Agency in the territory of Panama, a supplier must meet the criteria set out in this Annex at pages I-PA-1 to I-PA-2. A natural person engaged in this business in the territory of Panama must be a Panamanian national.

Sector:

Communications

Sub-sector:

Services of Transmission of Radio and Television Programs

Industry Classification:

CPC 9613 Radio and Television Services

Type of Reservation:

National Treatment (Articles 9.04 and 10.03)

Most-Favoured-Nation Treatment (Article 10.04)

Senior Management and Boards of Directors (Article 9.08)

Measures:

Article 285 of the 1972 Constitution

Articles 14 and 25 of Law No. 24 of June 30, 1999

Articles 152 and 161 of Executive Decree No. 189 of August 13, 1999

Description: Investment and Cross-Border Trade in Services

A concession to operate a public radio or public television station in Panama may be granted to a natural person or to an enterprise. In the case of a natural person, the concessionaire must be a Panamanian national. In the case of an enterprise, at least 65% of the shares of the concessionaire must be owned by a Panamanian national.

Each senior manager and director of an enterprise operating a public radio or public television station must be a Panamanian national.

Under no circumstances may a foreign government or a foreign state enterprise supply, by itself or through a third party, public radio or public television services or hold a controlling interest, directly or indirectly, in an enterprise that supplies those services.

A concessionaire of a public radio or public television service may not broadcast an advertisement originating within Panama containing an announcement made by an announcer who does not have a licence issued by the National Authority of Public Services. That licence may only be obtained by a Panamanian national or a national of a country that has granted reciprocal rights to Panamanian nationals.

For greater certainty, this reservation is without prejudice to Article 23.06 (Exceptions – Cultural Industries).

Sector:

Communications

Sub-sector:

Telecommunication Services

Industry Classification:

CPC 752 Telecommunication Services

Type of Reservation:

National Treatment (Article 9.04)

Measure:

Article 21 of Law No. 31 of February 8, 1996

Description: Investment

An enterprise that is directly or indirectly owned or controlled by a foreign government or in which a foreign government is a partner may not supply telecommunications services in the territory of Panama.

Sector:

Education

Industry Classification:

CPC 92 Education Services

Type of Reservation:

National Treatment (Article 10.03)

Level of Government:

Central

Measure:

Article 100 of the 1972 Constitution

Description: Cross-Border Trade in Services

Only a Panamanian national may teach Panamanian history and civic education in the territory of Panama.

Sector:

Electrical Energy

Sub-sector:

Industry Classification:

CPC 171 Electrical Energy

Type of Reservation:

Market Access (Article 10.05)

Measures:

Articles 32, 45 and 46 of Law No. 6 of February 3, 1997

Description: Cross-Border Trade in Services

Electric power transmission services in the territory of Panama may be supplied only by the Government of Panama.

Electric power distribution services in the territory of Panama will be supplied by 3 enterprises for a period of 15 years, under concessions granted by theNational Authority of Public Services. This period started on October 22, 1998.

Sector:

Crude Petroleum, Hydrocarbons and Natural Gas

Sub-sector:

Industry Classification:

CPC 120 Crude Petroleum and Natural Gas

Type of Reservation:

Local Presence (Article 10.06)

Performance Requirements (Article 9.06)

Measures:

Articles 21, 26 and 71 of Law No. 8 of June 16, 1987

Description: Investment and Cross-Border Trade in Services

If a contractor is a foreign juridical person, it must establish itself or open a branch in the Republic of Panama. Contractors may apply for an exemption from import tax on machinery, equipment, spare parts and other articles necessary for carrying out the activities required by their respective contracts. That exemption may be granted if the articles are of acceptable quality and competitive price, as determined by the Ministry of Commerce and Industries, and are not produced in Panama.

A contractor or subcontractor may acquire a good or contract service from abroad if:

that good or service is not available in Panama; or

the good or service available in Panama does not fulfill the normal specifications required by the industry, as determined by the National Directorate of Hydrocarbons of the Ministry of Commerce and Industries.

Sector:

Operation of Mines

Sub-sector:

Extraction of Non-metallic, Metallic (Except Precious Minerals) Minerals, Precious Alluvial Minerals, Precious Non-Alluvial Minerals, Fuel Minerals (Except Hydrocarbons) and Reserve Minerals and Related Services

Industry Classification:

CPC 14 Metal Ores

CPC 15 Stone, Sand and Clay

CPC 16 Other Minerals

Type of Reservation:

National Treatment (Articles 9.04 and 10.03)

Performance Requirements (Article 9.06)

Measures:

Articles 4, 5, 130, 131, 132 and 135 of Decree Law No. 23 of August 22, 1963

Article 11 of Law No. 3 of January 28, 1988

Description: Investment and Cross-Border Trade in Services

A foreign government, foreign state enterprise, or juridical person in which there is direct or indirect participation of any foreign government, may not:

obtain a mining concession;

directly or indirectly, be a contractor for mining operations;

operate or benefit from a mining concession; or

acquire, possess or retain, for use in mining operations in Panama, equipment or material without previous and special authorization issued through a Decree of the President of the Republic signed by all members of Cabinet.

Panama will give preference to Panamanian nationals for positions in all phases of mining operations, in accordance with the Labor Code.

The holder of a mining concession and a contractor engaged in mining operations may employ a foreign national as an executive, scientific or technical expert if:

employing the foreign national is necessary for the efficient development of the mining operations; and

foreign nationals constitute less than 25% of the number of persons employed, and the salaries that foreign nationals receive amount to less than 25% of total salaries:

for the holder of a mining concession when engaged in mining operations covered by extraction, benefit or transport concessions, and

for a contractor when carrying out mining operations.

The Directorate General of Mining Resources will establish the terms and conditions under which foreign persons may be employed in the mining industry.

Sector:

Exploration and Exploitation of Non-Metallic Minerals Used as Construction, Ceramic, Refractory and Metallurgical Materials

Sub-sector:

Industry Classification:

CPC 15 Stone, Sand and Clay

CPC 16 Other Minerals

Type of Reservation:

National Treatment (Article 9.04)

Measures:

Article 3 of Law No. 109 of October 8, 1973

Article 7 of Law No. 32 of February 9, 1996

Description: Investment

Only a Panamanian national or an enterprise of Panama may obtain, directly or indirectly, a contract for the exploration and exploitation of limestone, sand, quarry stone, tufa, clay, gravel, debris, feldspar, plaster and other non-metallic minerals.

The following may not obtain, operate or benefit from a contract referred to in paragraph 1, directly or indirectly:

a foreign government or state enterprise; or

a juridical person in which a foreign government has direct or indirect participation, unless the Executive Branch decides otherwise on the request of the interested juridical person.

Sector:

Fishing

Sub-sector:

Fishes and Other Fishing Products

Industry Classification:

CPC 04 Fish and Other Fishing Products

Type of Reservation:

National Treatment (Articles 9.04)

Performance Requirements (Article 9.06)

Measures:

Article 286 of Law No. 8 (the Fiscal Code of the Republic of Panama) of January 27, 1956

Law No. 20 of August 11, 1994

Articles 5 and 6 of Decree Law No. 17 of July 9, 1959

Article 1 of Decree No. 116 of November 26, 1980

Article 3 of Executive Decree No. 124 of November 8, 1990

Articles 4 and 7 of Executive Decree No. 38 of June 15, 1992

Article 1 of Decree No. 71 of October 20, 1992

Administrative Resolution 003 of January 7, 2004

Description: Investment

Only a person of Panama may sell for consumption in Panama fish caught in the territory of Panama.

Only a Panamanian-built vessel may engage in commercial or industrial shrimp fishing in the territory of Panama.

A vessel with a capacity of less than 150 tons may only fish for tuna in the territory of Panama if it is owned by a person of Panama.

Only a vessel owned by a person of Panama may obtain a licence for coastal (manual) fishing.

Only a Panamanian-flagged vessel that is at least 75% owned by a person of Panama and that is engaged in international tuna trade within the territory of Panama may obtain a tuna fishing licence for a preferential fee.

Sector:

Activities Related to Fishing

Sub-sector:

Industry Classification:

CPC 04 Fish and Other Fishing Products

Type of Reservation:

Local Presence (Article 10.06)

Measures:

Articles 1 and 4 of Executive Decree No. 12 of April 17, 1991

Articles 4 and 7 of Executive Decree No. 38 of June 15, 1992

Description: Cross-Border Trade in Services

An industrial enterprise in the business of storing or selling shrimp or other marine species must locate its facilities in the Vacamonte Fishing Port, in the District of Arraijan, unless the facilities are located where farming operations occur.

International tuna fishing vessels must use the services of legal shipping agencies domiciled in Panama in order to obtain a licence to fish for tuna in waters under Panamanian jurisdiction.

Sector:

Guard Services

Sub-sector:

Private Security Agencies

Industry Classification:

CPC 87305 Guard Services

Type of Reservation:

National Treatment (Articles 9.04 and 10.03)

Senior Management and Boards of Directors (Article 9.08)

Measures:

Articles 4 and 10 of Executive Decree No. 21 of January 31, 1992

Article 1 of Executive Decree No. 22 of January 31, 1992

Description: Investment and Cross-Border Trade in Services

The owner of a security company must be a Panamanian national.

In order to be a member of the board of directors, a person must meet the criteria for ownership of a retail business described in this Annex at pages I-PA-1 to I-PA-2.

Only a Panamanian national may hold the position of head of security or security guards in the territory of Panama. Foreign nationals engaged by a security company in the territory of Panama must obtain prior authorization from the Panamanian government.

Sector:

Advertising Services

Sub-sector:

Advertising Activities

Industry Classification:

CPC 871 Advertising Services

Type of Reservation:

National Treatment (Article 10.03)

Measures:

Article 152 of Executive Decree No. 189 of August 13, 1999

Article 1 of Executive Decree No. 273 of November 17, 1999

Description: Cross-Border Trade in Services

The use of advertising announcements for television and cinematography produced in foreign countries whose voices band has been dubbed by Panamanians possessing an announcer's licence, is only permitted if a fee is paid for the period of transmission, projection and use.

For greater certainty, this reservation is without prejudice to Article 23.06 (Exceptions – Cultural Industries).

Sector:

Maritime Transport

Sub-sector:

Pilotage

Industry Classification:

CPC 72 Water Transport Services

Type of Reservation:

National Treatment (Article 10.03)

Measure:

Article 6 of Accord No. 006-95 of May 31, 1995

Description: Cross-Border Trade in Services

Only a Panamanian national may be an apprentice pilot.

Sector:

Maritime Transport

Sub-sector:

Industry Classification:

CPC 72 Water Transport Services

CPC 872 Placement and Supply Services of Personnel

Type of Reservation:

National Treatment (10.03)

Local Presence (10.06)

Measures:

Articles 4, 15 and 18 of Decree Law No. 8 of February 26, 1998

Description: Cross-Border Trade in Services

When engaging contractual service suppliers, the owner of a Panamanian-registered vessel dedicated to international service must give preference to a Panamanian national, spouse of a Panamanian national and a parent of a Panamanian child residing in Panama.

Associations of shipbuilders and Panamanian shipping companies will grant scholarships and facilities for training or qualification courses to a Panamanian national, a foreign spouse of a Panamanian national or a parent of a Panamanian child.

A foreign manning company operating in Panama must designate a Panamanian national residing in Panama registered with the Mercantile Registry to act as a representative of the company in all judicial, extra-judicial and administrative matters.

Sector:

Transport

Sub-sector:

Air Transport Services

Industry Classification:

CPC 7121-7122 Passenger Transportation

CPC 7123 Freight Transportation

Type of Reservation:

National Treatment (Article 9.04)

Measures:

Article 79 of Law No. 21 of January 29, 2003

Description: Investment

Only a person of Panama with a base of operations in Panama may hold a certificate of exploitation to supply air transportation services in Panama.

To obtain a certificate referred to in paragraph 1, an enterprise of Panama must also establish before the Civil Aviation Authority that the substantial property and effective control of the enterprise is owned by a Panamanian national. For example, at least 51% of the subscribed and paid-in capital of a society is represented with nominative stocks owned by a Panamanian national.

For domestic transport, the percentage referred to in paragraph 2 is a minimum of 60%.

During the validity of a certificate referred to in paragraph 1 the title holder must maintain the minimum percentage of ownership by a Panamanian national set out in paragraph 2 or 3.

Sector:

Transport Services

Sub-sector:

Air Transport Services

Industry Classification:

CPC 8868** Maintenance and Repair of Aircraft

CPC 746 Supporting Services for Air Transport

Type of Reservation:

National Treatment (Article 10.03)

Measures:

Article 45 of Law No. 21 of January 29, 2003

Description: Cross-Border Trade in Services

Only a Panamanian national may supply a service related to aircraft repair and maintenance. If there are not enough Panamanian nationals to supply that service, the Civil Aviation Authority may authorize the temporary hiring of a foreign national.

Sector:

Publishing

Sub-sector:

Classification:

Type of Reservation:

National Treatment (Article 9.04)

Senior Management and Boards of Directors (Article 9.08)

Measures:

Article 9 of Law No. 67 of September 19, 1978

Description: Investment

The following applies to an enterprise producing a print publication that is part of the Panamanian communications mass media, such as a newspaper or magazine:

a Panamanian national must directly or indirectly hold 100% of the ownership of the enterprise; and

the managers of the enterprise, including its publishers, editors-in-chief, deputy directors and assistant managers, must be Panamanian nationals.

For greater certainty, this reservation is without prejudice to Article 23.06 (Exceptions – Cultural Industries).

Sector:

Business Services

Sub-sector:

Professional Services

Industry Classification:

CPC 861 Legal Services

Type of Reservation:

National Treatment (Articles 9.04 and 10.03)

Senior Management and Boards of Directors (Article 9.08)

Measures:

Articles 3 and 16 of Law No. 9 of April 18, 1984

Description: Investment and Cross-Border Trade in Services

Only a Panamanian national holding a certificate of qualification issued by the Supreme Court may practice law in Panama.

Law partnerships may be established only by lawyers qualified to practice law in Panama.

Notwithstanding paragraphs 1 and 2, if it is permitted by the express terms of an international agreement, a lawyer who is a foreign national may provide advice on international law and the law of the jurisdiction in which that lawyer is licensed to practice. However, that foreign lawyer may not provide representation in the territory of Panama before a body listed in subparagraph 4(a).

For purposes of this Reservation the practice of law in Panama includes:

judicial representation before a civil, penal, labour, child welfare, electoral, administrative or maritime tribunal;

rendering of verbal or written legal advice;

drafting of legal documents and contracts; and

any other activity that requires a licence to practice law in Panama.

Sector:

Business Services

Sub-sector:

Professional Services

Industry Classification:

Type of Reservation:

National Treatment (Article 10.03)

Most-Favoured-Nation Treatment (Article 10.04)

Local Presence (10.06)

Measures:

Articles 1 and 3 of Executive Order No. 257 of September 3, 1965, establishing implementing regulations for Law No. 15 of 1959, engineering and architecture

Article 4 of Law No. 53 of February 4, 1963, amending and supplementing Law No. 15 of January 26, 1959 and repealing Law No. 46 of April 30, 1941. Published in Official Gazette No. 14,811 of February 6, 1963, engineering and architecture

Articles 1, 2, 3, 4 and 24 of Law No. 15 of January 26, 1959, engineering and architecture

Articles 4, 7, 9 and 10 of Law No. 57 of September 1978, authorized public accountant

Article 3 of Law No. 7 of April 14, 1981, economist

Articles 32, 33 and 34 of Decision No. 168 of July 25, 1988, approving the Regulations of the Technical Economic Council

Articles 9 through 11 of Law No. 67 of September 19, 1978, journalism profession

Article 3 of Law No. 37 of October 22, 1980, public relations specialist

Article 2 of Law No. 56 of September 16, 1975, regulating psychology

Article 29-A of Executive Order No. 14 of August 27, 1954, the Law Establishing the Social Security Fund

Articles 2 and 3 of Law No. 1 of January 3, 1996, sociology

Article 3 of Law No. 17 of July 23, 1981, social worker

Article 3 of Law No. 20 of October 9, 1984, regulating the library sciences profession

Article 2141 of Law No. 59 of July 31, 1998, amending the name of Title XVII and Articles 2140, 2141 and 2142 of the Administrative Code, and repealing Article 13 of Law No. 33 of 1984

Article 1, Chapter 2 of Decision No. 036-JD of December 22, 1986, adopting the Licensing Regulations for Aeronautic Personnel

Article 642(a) of Fiscal Code of the Republic of Panama, approved by Law No. 8 of January 27, 1956, modified by Law No. 20 of August 11, 1994, which modifies certain Fiscal Code articles and adopts other provisions

Articles 3 and 4 of Executive Order No. 6 of July 8, 1999, real estate agent

Article 198 of Law No. 23 of July 15, 1997, approving the WTO Agreement; Panama's Accession Protocol to this Agreement, including its annexes and schedules of commitments; adjusting internal legislation to international standards; and enacting other provisions

Articles 2, 3 and 4 of Law No. 22 of January 30, 1961, related to professional agricultural services

Articles 4 and 16 of Cabinet Decree No. 362 of November 26, 1969, nutritionist and dietician

Article 5 of Law No. 34 of October 9, 1980, phono-audiologist, speech and language therapist, and audiometrician or audiology technician

Articles 1 and 8 of Law No. 3 of January 11, 1983, veterinary medicine

Article 1 of Cabinet Decree No. 196 of June 24, 1970, establishing requirements to obtain a medical licence to freely practice medicine and other related professions

Decision No. 1 of January 26, 1987, by which the Technical Health Board classifies acupuncture as a technique that may only be practiced by medical and dental professionals in Panama

Articles 3 and 4 of Decree No. 32 of February 17, 1975, medical assistant

Article 1 of Law No. 22 of February 9, 1956, odontology

Article 10 of Cabinet Decree No. 16 of January 22, 1969, regulating medical interns, residents, specialists and odontologists and creating the positions of General Practitioner and Medical Consultant

Article 3 of Decision No. 1 of March 14, 1983, approving the Regulations for Odontological Specializations

Article 2 of Law No. 21 of August 12, 1994, dental assistant

Articles 37, 108, 197 and 198 of Law No. 66 of November 10, 1947, approving the Health Code

Article 9 of Law No. 1 of January 6, 1954, regarding the profession of licensed nurses, giving stability to this profession and regulating the pension for retired nurses

Article 3 of Law No. 74 of September 19, 1978, clinical laboratory worker

Article 4 of Law No. 48 of November 22, 1984, assistants and support personnel working in clinical laboratories run by the Ministry of Health and the Social Security Fund and Foundation and regulating this profession

Articles 7, 13 and 15 of Law No. 47 of November 22, 1984, physiotherapy and/or kinesthesiology

Article 2 of Decree Law No. 8 of April 20, 1967, chiropractor

Article 6 of Law No. 42 of October 29, 1980, medical radiology technician

Article 6 of Law No. 13 of August 23, 1984, specialists in medical records and health statistics who are employed by public health agencies, regulating their pay scale, and establishing other provisions (assistants to medical records and health statistics specialists, medical record technicians and health statistic technicians)

Decision No. 1 of April 15, 1985, orthopedic and nuclear medicine technicians

Decision No. 2 of June 1, 1987, neurophysiology technician, encephalographic technician, and electro-neurography or evoked potentials technician

Decision No. 1 of February 8, 1988, occupational health technician

Article 2 of Decision No. 10 of March 24, 1992, respiratory therapy technician or respiratory inhalotherapy technician

Article 3 of Decision No. 19 of November 12, 1991, prosthetic-orthotic technician

Article 2 of Decision No. 7 of December 15, 1992, regulating the practice of histology and the professions of histology assistant and cytology assistant

Article 2 of Decision No. 50 of September 14, 1993, radiological health technician

Article 2 of Decision No. 1 of January 21, 1994, cardiovascular perfusion technician

Article 2 of Decision No. 2 of January 25, 1994, technician and assistant technician in medical information technology

Article 2 of Decision No. 4 of June 10, 1996, assistant technician in medical radiology

Article 3 of Decision No. 5 of June 10, 1996, by which the Ministry of Health recognizes the profession of emergency medical technician

Article 3 of Decision No. 1 of May 25, 1998, specialist in emergency surgery

Article 3 of Decision No. 2 of May 25, 1998, technician in human genetics

Article 35 of Law No. 24 of January 29, 1963, creating the National Pharmaceutical Board and regulating pharmaceutical establishments

Articles 11 and 20 of Law No. 45 of August 7, 2001, chemist

Article 5 of Law No. 4 of January 23, 1956, creating the Technical Commission and regulating the professions of barber and cosmetologist

Articles 4 and 5 of Law No. 15 of January 22, 2003, orthophedic technology and traumatology

Article 5 of Resolution No. 3 of August 26, 2004, medical physics

Article 17 of Law No. 19 of June 5, 2007, water lifesaving

Article 3 of Law No. 49 of December 5, 2007, community developer

Article 5 of Law No. 31 of June 3, 2008, emergency medical technicians and professionals

Article 3 of Law No. 28 of May 22, 2008, early stimulation and family orientation

Article 5 of Law No. 53 of August 5, 2008, respiratory therapist

Description: Cross-Border Trade in Services

A person practicing a profession listed in the Measures of this Reservation must be a Panamanian national.

Sector:

Business Services

Sub-sector:

Professional Services – Architects and Engineers

Industry Classification:

Type of Reservation:

National Treatment (Article 10.03)

Most-Favoured-Nation Treatment (Article 10.04)

Local Presence (Article 10.06)

Measures:

Articles 1, 2, 3, 4 and 24 of Law No. 15 of January 26, 1959

Article 4 of Law No. 53 of February 4, 1963

Articles 1 and 3 of Decree 257 of September 3, 1965

Description: Cross-Border Trade in Services

Only a holder of a certificate of qualification issued by the Technical Board of Engineers and Architects may practice as an engineer or architect. The Technical Boardmay grant such a certificate to:

a Panamanian national;

a foreign national who is married to a Panamanian national or who is the parent of a child who is a Panamanian national; or

a foreign national licensed to practice in a jurisdiction that allows Panamanian nationals to practice as engineers or architects under the same conditions.

The Technical Board may also authorize an enterprise to contract with an architect or engineer who is a foreign national for

up to 12 months if there is no Panamanian qualified to supply the service in question. In that case, the enterprise must employ a qualified Panamanian national during the period of the contract who will replace the foreign national when the contract ends.

Only an enterprise registered with the Technical Board may supply engineering or architectural services in Panama. To register:

the enterprise must have a corporate domicile in Panama, unless an international agreement provides otherwise; and

the persons employed by the enterprise who are responsible for supplying the services must be qualified to perform those services in Panama.

Sector:

Telecommunication Services

Sub-sector:

Industry Classification:

Type of Reservation:

Market Access (10.05)

Measures:

Law No. 17 of July 9, 1991

Law No. 5 of February 9, 1995

Law No. 31 of February 8, 1996

Executive Decree No. 73 of April 9, 1997

Executive Decree No. 21 of 1996

Regulation JD-025 of December 12, 1996

Regulation JD-080 of April 10, 1997

Concession Contract No. 30-A of February 5, 1996 between the State and BSC (Bell South Panama, S.A.)

Concession Contract No. 309 of October 24, 1997 between the State and Cable Wireless Panama, S.A

Executive Decree No. 58 of May 12, 2008

Concession Contract No. 10-2008 of May 27, 2008 between the State and Digicel Panama, S.A.

Concession Contract No. 11-2008 of May 27, 2008 between the State and Claro Panama, S.A.

Description: Cross-Border Trade in Services

Cellular mobile telephone services are provided exclusively by four operators who have been granted concessions by the State.

Sector:

Telecommunication services

Sub-sector:

Industry Classification:

Type of Reservation:

Local Presence (Article 10.06)

Measures:

Law No. 31 of February 8, 1996

Executive Decree No. 73 of April 9, 1997

Description: Cross-Border Trade in Services

A telecommunication service supplied directly to users in Panama may only be supplied by a person domiciled in Panama.

Sector:

Trade Services; Hotel and Restaurant Services

Sub-sector:

Hotel and Restaurant Services

Industry Classification:

CPC 643 Beverage Serving Services for Consumption on the Premises

Type of Reservation:

Market Access (Article 10.05)

Measure:

Law No. 55 of July 10, 1973

Description: Cross-Border Trade in Services

A licence will not be granted for the operation of a bar in a district in Panama when the number of existing bars in that district exceeds the proportion of one per one thousand inhabitants, according to the latest official population census.

Sector:

Community, Social and Personal Services

Sub-sector:

Recreational, Cultural and Sporting Services

Classification:

CPC 96492 Gambling and Betting Services

Obligations Concerned:

Market Access (Article 10.05)

Level of Government:

Central

Measure:

Article 297 of the 1972 Constitution

Description: Cross-Border Trade in Services

Only the Government of Panama may operate games of luck and chance or other gambling activities in Panama.

Sector:

Communication Services

Sub-sector:

Postal Services

Industry Classification:

CPC 7511 Postal Services

Type of Reservation:

Market Access (Article 10.05)

Measures:

Article 301 of the Fiscal Code of the Republic of Panama approved by means of Law No. 8 of January 27, 1956, modified by Law No. 20 of August 11, 1994

Description: Cross-Border Trade in Services

Only the Government of Panama may operate postal services in Panama.

Sector:

Ports and Airports

Sub-sector:

Industry Classification:

Type of Reservation:

Market Access (Article 10.05)

Local Presence (Article 10.06)

Measures:

Decree Law No. 7 of February 10, 1998

Law No. 23 of January 29, 2003

Description: Cross-Border Trade in Services

The executive branch of the Government of Panama has the discretion to determine the number of concessions for national ports and airports and may require the concessionaire to appoint a legal representative in Panama.

Annex II. Reservations for Future Measures

The Schedule of a Party sets out, under Articles 9.08 (Investment – Reservations and Exceptions) and 10.07 (Cross-Border Trade in Services – Reservations), the reservations taken by that Party for specific sectors, sub-sectors or activities for which it may maintain existing, or adopt new or more restrictive, measures that do not conform with obligations imposed by:

Article 9.04 (Investment – National Treatment) or 10.03 (Cross-Border Trade in Services – National Treatment);

Article 9.05 (Investment – Most-Favoured-Nation Treatment) or 10.04 (Cross-Border Trade in Services – Most-Favoured-Nation Treatment);

Article 10.06 (Cross-Border Trade in Services – Local Presence);

Article 9.07 (Investment – Performance Requirements);

Article 9.08 (Investment – Senior Management and Boards of Directors); or

Article 10.05 (Cross-Border Trade in Services – Market Access).

Each reservation sets out the following elements:

Sector refers to the general sector in which the reservation is taken;

Sub-sector refers to the specific sector in which the reservation is taken;

Industry Classification refers, where applicable, to the activity covered by the reservation according to domestic industry classification codes;

Type of Reservation specifies the obligation referred to in paragraph 1 for which a reservation is taken;

Description sets out the scope of the sector, sub-sector or activities covered by the reservation;

Existing Measure identifies, for transparency purposes, an existing measure applying to the sector, sub-sector or activities covered by the reservation.

In interpreting a reservation, all elements of the reservation are considered with the exception of Industry Classification. The Description element prevails over all other elements.

For purposes of this Annex:

CPC means Central Product Classification (CPC) numbers as set out in Statistical Office of the United Nations, Statistical Papers, Series M, No. 77, Provisional Central Product Classification, 1991; and

SIC means Standard Industrial Classification (SIC) numbers as set out in Statistics Canada, Standard Industrial Classification, fourth edition, 1980.

Annex II. Schedule of Canada

Sector:

Aboriginal Affairs

Sub-sector:

Industry Classification:

Type of Reservation:

National Treatment (Articles 9.04 and 10.03)

Most-Favoured-Nation Treatment (Articles 9.05 and 10.04)

Local Presence (Article 10.06)

Performance Requirements (Article 9.07)

Senior Management and Boards of Directors (Article 9.08)

Description: Cross-Border Trade in Services and Investment

Canada reserves the right to adopt or maintain a measure denying investors of Panama and their investments, or service providers of Panama, rights or preferences provided to aboriginal peoples.

Existing Measure:

Constitution Act, 1982, being Schedule B of the Canada Act 1982 (U.K.), 1982, c. 11

Sector:

All Sectors

Sub-sector:

Industry Classification:

Type of Reservation:

National Treatment (Article 9.04)

Description: Investment

Canada reserves the right to adopt or maintain a measure relating to residency requirements for the ownership by investors of Panama, or their investments, of oceanfront land.

Existing Measures:

Sector:

Communications

Sub-sector:

Telecommunications Transport Networks and Services

Radiocommunications

Industry Classification:

CPC 752 Telecommunication Services

Type of Reservation:

National Treatment (Article 9.04)

Senior Management and Boards of Directors (Article 9.08)

Description: Investment

Canada reserves the right to adopt or maintain a measure:

limiting foreign investment in facilities-based telecommunications service suppliers, provided that the measure adopted or maintained by Canada does not limit foreign investment to less than a cumulative total of 46.7% of voting shares, based on 20% direct investment and 33.3% indirect investment;

requiring that facilities-based telecommunications service suppliers be controlled in fact by a Canadian;

requiring that at least 80% of the members of the board of directors of facilities-based telecommunications service suppliers be Canadian; and

imposing restrictions on facilities-based telecommunications service suppliers exceeding the permissible cumulative foreign investment level on July 22, 1987, and continuing to exceed this level.

The following exceptions apply to this reservation:

foreign investment is allowed up to 100% for suppliers conducting operations under an international submarine cable licence;

mobile satellite systems owned and controlled up to a level of 100% by a foreign service provider may be used by a Canadian service provider to provide services in Canada; and

fixed satellite systems owned and controlled up to a level of 100% by foreign service providers may be used to provide services between points in Canada and all points outside Canada.

Existing Measures:

Telecommunications Act, S.C. 1993, c. 38

Canadian Telecommunications Common Carrier Ownership and Control Regulations, SOR/94-667

Radiocommunications Act, R.S.C. 1985, c. R-2

Radiocommunication Regulations, SOR/96-484

Sector:

Communications

Sub-sector:

Telecommunications Transport Networks and Services

Radiocommunications

Telecommunication Services

Industry Classification:

CPC 7529 Other Telecommunication Services

CPC 7549 Other Telecommunications Services Not Elsewhere Classified

Type of Reservation:

Local Presence (Article 10.06)

National Treatment (Article 9.04)

Senior Management and Boards of Directors (Article 9.08)

Description: Cross-Border Trade in Services and Investment

Canada reserves the right to adopt or maintain a measure relating to providing, or investing in, telecommunications services classified in CPC 7529, excluding mobile services, and CPC 7549.

Existing Measures:

Radiocommunication Act, R.S.C. 1985, c. R-2

Radiocommunication Regulations,SOR/96-484

Telecommunications Act, S.C. 1993, c. 38

Canadian Telecommunications Common Carrier Ownership and Control Regulations, SOR/94-667

Sector:

Communications

Sub-sector:

Telecommunications Transport Networks and Services

Industry Classification:

CPC 752 Telecommunications Services

CPC 7543 Connection Services

CPC 7549 Other Telecommunications Services Not Elsewhere Classified (limited to telecommunications transport networks and services)

Type of Reservation:

National Treatment (Article 9.04)

Description: Investment

Canada reserves the right to adopt or maintain a measure that may limit competition in providing local wireline telephone services in the serving areas of Northwestel Inc.

Existing Measure:

Telecommunications Act, S.C. 1993, c. 38

Sector:

Fisheries

Sub-Sector:

Fishing and Fishing Related Services and Investment

Industry Classification:

SIC 031 Fishing Industry

SIC 032 Services Incidental to Fishing

CPC 882 Services Incidental to Fishing

Type of Reservation:

National Treatment (Articles 9.04 and 10.03)

Most-Favoured-Nation Treatment (Articles 9.05 and 10.04)

Description: Cross-Border Trade in Services and Investment

Canada reserves the right to adopt or maintain a measure with respect to issuing licences to foreign fishing vessels and with respect to allowing foreign fishing vessels to access Canada's territory.

Existing Measures:

Fisheries Act, R.S.C. 1985, c. F-14

Coastal Fisheries Protection Act, R.S.C. 1985, c 33

Coastal Fisheries Protection Regulations, C.R.C. 1978, c. 413

Commercial Fisheries Licensing Policy

Policy on Foreign Investment in the Canadian Fisheries Sector, 1985

Sector:

Government Finance

Sub-sector:

Securities

Industry Classification:

SIC 8152 Finance and Economic Administration

Type of Reservation:

National Treatment (Article 9.04)

Description: Investment

Canada reserves the right to adopt or maintain a measure relating to the acquisition, sale or other disposition by nationals of Panama of bonds, treasury bills or other kinds of debt securities issued by the Government of Canada or a Canadian sub-national government.

Existing Measure:

Financial Administration Act, R.S.C. 1985, c. F-11

Sector:

Minority Affairs

Sub-sector:

Industry Classification:

Type of Reservation:

National Treatment (Articles 9.04 and 10.03)

Local Presence (Article 10.06)

Performance Requirements (Article 9.07)

Senior Management and Boards of Directors (Article 9.08)

Description: Cross-Border Trade in Services and Investment

Canada reserves the right to adopt or maintain a measure conferring rights or privileges to a socially or economically disadvantaged minority.

Existing Measures:

Sector:

Social Services

Sub-sector:

Industry Classification:

Type of Reservation:

National Treatment (Articles 9.04 and 10.03)

Most-Favoured-Nation Treatment (Articles 9.05 and 10.04)

Local Presence (Article 10.06)

Senior Management and Boards of Directors (Article 9.08)

Description: Cross-Border Trade in Services and Investment

Canada reserves the right to adopt or maintain a measure for providing public law enforcement and correctional services, as well as the following services to the extent that they are social services established or maintained for a public purpose: income security or insurance, social security or insurance, social welfare, public education, public training, health care and child care.

Existing Measures:

Sector:

Transportation

Sub-sector:

Air Transportation

Industry Classification:

SIC 4523 Aircraft Servicing Industry

SIC 3211 Aircraft and Aircraft Parts Industry

Not CPC-defined: Aircraft Repair and Maintenance Services, as Defined in the Cross-Border Trade in Services Chapter

Type of Reservation:

Most-Favoured-Nation Treatment (Article 10.04)

Description: Cross-Border Trade in Services

Canada reserves the right to selectively negotiate with other aeronautical authorities or service providers agreements or arrangements recognizing their accreditation of repair, overhaul and maintenance facilities and certification by such facilities of the work performed by those facilities on Canadian-registered aircraft and other related aeronautical products.

Existing Measures:

Sector:

Transportation

Sub-sector:

Air Transportation

Industry Classification:

SIC 451 Air Transport Industries

Not CPC-defined: Selling and Marketing of Air Transport Services, as Defined in the Cross-Border Trade in Services Chapter

Type of Reservation:

National Treatment (Article 10.03)

Most-Favoured-Nation Treatment (Article 10.04)

Local Presence (Article 10.06)

Description: Cross-Border Trade in Services

Canada reserves the right to adopt or maintain a measure relating to the selling and marketing of an air transportation service.

Existing Measures:

Sector:

Transportation

Sub-sector:

Water Transportation

Industry Classification:

SIC 4129 Other Heavy Construction

SIC 4541 Freight and Passenger Water Transport Industry

SIC 4542 Ferry Industry

SIC 4543 Marine Towing Industry

SIC 4549 Other Water Transport Industries

SIC 4552 Harbour and Port Operation Industries (limited to berthing, bunkering and other vessel operations in a port)

SIC 4553 Marine Salvage Industry

SIC 4554 Piloting Service, Water Transport Industry

SIC 4559 Other Service Industries Incidental to Water Transport (not including landside aspects of port activities)

CPC 52232 Constructions of Harbours, Rivers, Canals and Related Facilities

CPC 721 Transportation Services by Sea-going Vessels

CPC 722 Transportation Services by Non-sea-going Vessels

CPC 74510 Port and Waterway Operation Services (excluding cargo handling)

CPC 74520 Pilotage and Berthing Services

CPC 74590 Other Supporting Services for Water Transport

Other marine activities of a commercial nature, as set out in the Description section below

Type of Reservation:

National Treatment (Articles 9.04 and 10.03)

Most-Favoured-Nation Treatment (Articles 9.05 and 10.04)

Local Presence (Article 10.06)

Performance Requirements (Article 9.07)

Senior Management and Boards of Directors (Article 9.08)

Description: Cross-Border Trade in Services and Investment

Canada reserves the right to adopt or maintain a measure relating to providing or investing in marine cabotage services, including:

transporting goods or passengers by ship between points in the territory of Canada or above the continental shelf of Canada, directly or by way of a place outside Canada. However, with respect to waters above the continental shelf of Canada, this applies to the transportation of goods or passengers only in relation to exploring, exploiting or transporting mineral or non-living natural resources of the continental shelf of Canada; and

engaging by ship in another marine activity of a commercial nature in the territory of Canada and, with respect to waters above the continental shelf, in such other marine activities of a commercial nature that are in relation to exploring, exploiting or transporting mineral or non-living natural resources of the continental shelf of Canada.

This reservation relates, among other things, to local presence requirements for service providers entitled to participate in these activities, to criteria for the issuance of a temporary cabotage licence to foreign ships and to limits on the number of cabotage licences issued to foreign ships.

Existing Measures:

Coasting Trade Act, S.C. 1992, c. 31

Canada Shipping Act, 2001, S.C. 2001, c. 26

Customs Act, R.S.C. 1985, c. 1 (2nd Supp.)

Customs and Excise Offshore Application Act, R.S.C. 1985, c. C-53

Sector:

Transportation

Sub-sector:

Water Transportation

Industry Classification:

SIC 4541 Freight and Passenger Water Transport Industry

SIC 4542 Ferry Industry

SIC 4543 Marine Towing Industry

SIC 4549 Other Water Transport Industries

SIC 4551 Marine Cargo Handling Industry

SIC 4552 Harbour and Port Operation Industries

SIC 4553 Marine Salvage Industry

SIC 4554 Piloting Service, Water Transport Industry

SIC 4559 Other Service Industries Incidental to Water Transport

CPC 721 Transport Services by Sea-going Vessels

CPC 722 Transport Services by Non-sea-going Vessels

CPC 74510 Port and Waterway Operation Services (excluding cargo handling)

CPC 74520 Pilotage and Berthing Services

CPC 74590 Other Supporting Services for Water Transport

Type of Reservation:

Most-Favoured-Nation Treatment (Article 10.04)

Description: Cross-Border Trade in Services

Canada reserves the right to adopt or maintain a measure relating to the implementation of agreements, arrangements and other formal or informal undertakings with other countries with respect to maritime activities in waters of mutual interest in such areas as pollution control (including double hull requirements for oil tankers), safe navigation, barge inspection standards, water quality, pilotage, salvage, drug abuse control and maritime communications.

Existing Measures:

United States Wreckers Act, R.S.C. 1985, c. U-3

Various agreements and arrangements, including:

Memorandum of Arrangements on Great Lakes Pilotage;

Canada - United States Joint Marine Pollution Contingency Plan;

Agreement with the United States on Loran “C” Service on the East and West Coasts;

Denmark - Canada Joint Marine Pollution Circumpolar Agreement.

Sector:

All Sectors

Sub-sector:

Industry Classification:

Type of Reservation:

Most-Favoured-Nation Treatment (Article 9.05)

Description: Investment

Canada reserves the right to adopt or maintain a measure that accords differential treatment to countries under a bilateral or multilateral international agreement in force or signed prior to the date of entry into force of this Agreement.

Canada reserves the right to adopt or maintain a measure that accords differential treatment to a country under an existing or future bilateral or multilateral agreement relating to:

aviation;

fisheries; or

maritime matters, including salvage.

Existing Measures:

Sector:

All Sectors

Sub-sector:

Industry Classification:

Type of Reservation:

Market Access (Article 10.05)

Description: Cross-Border Trade in Services

Canada reserves the right to adopt or maintain a measure that is not inconsistent with Canada’s obligations under Article XVI of the GATS.

Existing Measures:

Annex II. Schedule of Panama

Sector:

Social Services

Sub-sector:

Industry Classification:

Type of Reservation:

National Treatment (Articles 9.04 and 10.03)

Most-Favoured-Nation Treatment (Articles 9.05 and 10.04)

Local Presence (Article 10.06)

Performance Requirements (Article 9.07)

Senior Management and Boards of Directors (Article 9.08)

Market Access (Article 10.05)

Description: Investment and Cross-Border Trade in Services

Panama reserves the right to adopt or maintain a measure for providing law enforcement and correctional services, as well as the following services to the extent that they are social services established or maintained for a public purpose: income security or insurance, social security or insurance, social welfare, public education, public training, health care or child care.

Existing Measures:

Sector:

Native Populations and Minorities

Sub-sector:

Industry Classification:

Type of Reservation:

National Treatment (Articles 9.04 and 10.03)

Most-Favoured-Nation Treatment (Articles 9.05 and 10.04)

Local Presence (Article 10.06)

Performance Requirements (Article 9.07)

Senior Management and Boards of Directors (Article 9.08)

Description: Investment and Cross-Border Trade in Services

Panama reserves the right to adopt or maintain a measure denying to foreign investors and their investments or to foreign service providers a right or privilege granted to minorities with social or economic disadvantages or native populations in their reservation areas.

Existing Measures:

Sector:

Issues Related to the Panama Canal

Sub-sector:

Industry Classification:

Type of Reservation:

National Treatment (Articles 9.04 and 10.03)

Local Presence (Article 10.06)

Performance Requirements (Article 9.07)

Senior Management and Boards of Directors (Article9.08)

Market Access (Article 10.05)

Description: Investment and Cross-Border Trade in Services

Panama reserves the right to adopt or maintain a measure related to the management, administration, operation, maintenance, conservation, modernization, exploitation, development or ownership of the Panama Canal and the reverted areas that restrict the rights of foreign investors and services providers.

The Panama Canal includes the aquatic route proper, as well as its anchorages, dock berths and entrances; lands and marine, lacustrine and fluvial waters; locks; auxiliary dams; docks; and water control structures.

The reverted areas under the administration of the Inter-Oceanic Region Authority include the lands, buildings and facilities and other goods that have reverted to the Republic of Panama according to the Treaty of the Panama Canal of 1977 and its Annexes(Torrijos-Carter Treaty).

Notwithstanding Panama's reservation in the Schedule of Panama, Annex II at page II-PA-9, Panama shall accord to investors of Canada treatment with respect to the Panama Canal and the reverted areas no less favourable than it accords, in like circumstances, to investors of a non-Party under a free trade agreement in force or signed prior to the date of entry into force of this Agreement.

Existing Measures:

Sector:

State Enterprises

Sub-sector:

Industry Classification:

Type of Reservation:

National Treatment (Article 9.04)

Senior Management and Boards of Directors (Article 9.08)

Description: Investment

Panama reserves the right to limit the transfer or disposal of an interest held in an existing state enterprise so that only Panamanian nationals may receive that interest. This reservation only applies to the initial transfer or disposal of the interest, except as provided in the Schedule of Panama, Annex I at page I-PA-4 (Public Utilities).

For greater certainty,

where Panama transfers an interest in an existing state enterprise to another state enterprise, that transfer is not an initial transfer or disposal of the interest for purposes of paragraph 1; and

where Panama transfers or disposes of an interest in an existing state enterprise in multiple phases, paragraph 1 applies separately to each phase.

If Panama transfers or disposes of an interest in an existing state enterprise as described in paragraph 1, Panama may adopt or maintain a measure related to the nationality of the senior management and members of the board of directors of an enterprise that receives that interest.

Existing Measures:

Sector:

Construction Services

Sub-sector:

Industry Classification:

Type of Reservation:

National Treatment (10.03)

Local Presence (Article 10.06)

Description: Cross-Border Trade in Services

Panama reserves the right to adopt or maintain residency, registration or other local presence requirements, or to require a financial guarantee provided that it is necessary to ensure compliance with Panamanian law and private contractual obligations.

Existing Measures:

Sector:

Fisheries and Services Incidental to Fishing

Sub-sector:

Industry Classification:

Type of Reservation:

National Treatment (Article 9.04 and 10.03)

Most-Favoured-Nation Treatment (Article 9.05 and 10.04)

Description: Investment and Cross-Border Trade in Services

Panama reserves the right to adopt or maintain a measure relating to requirements for investments in, ownership or control of, and operation of, vessels engaged in fishing and related activities in waters under Panamanian jurisdiction.

Existing Measures:

Sector:

All Sectors (For greater certainty, this reservation is subject to paragraph 4 of the Schedule of Panama, Annex II at pageII-PA-4)

Sub-sector:

Industry Classification:

Type of Reservation:

Most-Favoured-Nation Treatment (Articles 9.05)

Description: Investment

Panama reserves the right to adopt or maintain a measure that accords differential treatment to countries under a bilateral or multilateral international agreement in force or signed prior to the date of entry into force of this Agreement.

Panama reserves the right to adopt or maintain a measure that accords differential treatment to countries under a bilateral or multilateral international agreement in force or signed after the date of entry into force of this Agreement, involving:

aviation;

fisheries; or

maritime matters, including salvage.

Existing Measures:

Sector:

All Sectors

Sub-sector:

Industry Classification:

Type of Reservation:

National Treatment (Article 10.03)

Most Favoured Nation Treatment (Article 10.04)

Local Presence (Article 10.06)

Market Access (Article 10.05)

Description: Cross-Border Trade in Services

Panama reserves the right to adopt or maintain a measure affecting the provision of a service provided in the exercise of governmental authority.

A “service provided in the exercise of governmental authority” means a service that is not provided on a commercial basis or in competition with a service provider.

Existing Measures:

Sector:

All Sectors

Sub-sector:

Industry Classification:

Type of Reservation:

Market Access (Article 10.05)

Description: Cross-Border Trade in Services

Subject to reservations within the Schedule of Panama, Annex I at pages I-PA-13 (Electrical Energy), I-PA-40 (Telecommunications Services),I-PA-42 (Hotel and Restaurant Services), I-PA-43 (Recreational, Cultural and Sporting Services), I-PA-44 (Postal Services) and I-PA-45 (Ports and Airports), Panama reserves the right to adopt or maintain a measure that is not inconsistent with Panama’s obligations under Article XVI of the GATS.

Measures:

Sector:

Transport Services

Sub-sector:

Road Transport Services

Industry Classification:

Type of Reservation:

National Treatment (Articles 9.04 and 10.03)

Local Presence (Article 10.06)

Performance Requirements (Article 9.07)

Senior Management and Boards of Directors (Article9.08)

Market Access (Article 10.05)

Description: Investment and Cross-Border Trade in Services

Panama reserves the right to adopt or maintain a measure that restricts the provision of services and investment related to scheduled passenger transportation, non-scheduled passenger transportation, rental services of commercial freight vehicles with operator, and bus terminal services.

Cabotage by land within the borders of Panama is reserved for domestic carriers.

Existing Measures: