

## **Chapter Three**

### **National Treatment and Market Access for Goods**

#### **Article 3.1: Scope and Coverage**

Except as otherwise provided, this Chapter applies to trade in goods of a Party.

#### **Section A: National Treatment**

##### **Article 3.2: National Treatment**

1. Each Party shall accord national treatment to the goods of the other Party in accordance with Article III of the GATT 1994, including its interpretive notes, and to this end Article III of the GATT 1994 and its interpretative notes are incorporated into and made part of this Agreement, *mutatis mutandis*.
2. The treatment to be accorded by a Party under paragraph 1 means, with respect to a regional level of government, treatment no less favorable than the most favorable treatment that regional level of government accords to any like, directly competitive, or substitutable goods, as the case may be, of the Party of which it forms a part.
3. Paragraphs 1 and 2 shall not apply to the measures set out in Annex 3.2.

#### **Section B: Tariff Elimination**

##### **Article 3.3: Tariff Elimination**

1. Except as otherwise provided in this Agreement, no Party may increase any existing customs duty, or adopt any new 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 3.3.
3. On the request of either Party, the Parties shall consult to consider accelerating the elimination of customs duties set out in their Schedules to Annex 3.3. An agreement between the Parties to accelerate the elimination of a customs duty on a good shall supersede any duty rate or staging category determined pursuant to their Schedules to Annex 3.3 for the good when approved by each Party in accordance with its applicable legal procedures.
4. For greater certainty, a Party may:

- (a) raise a customs duty back to the level established in its Schedule to Annex 3.3 following a unilateral reduction; or
- (b) maintain or increase a customs duty as authorized by the Dispute Settlement Body of the WTO.

## **Section C: Special Regimes**

### **Article 3.4: Waiver of Customs Duties**

1. Neither Party may adopt any new waiver of customs duties, or expand with respect to existing recipients or extend to any new recipient, the application of an existing waiver of customs duties, where the waiver is conditioned, explicitly or implicitly, on the fulfillment of a performance requirement.
2. Neither Party may, explicitly or implicitly, condition on the fulfillment of a performance requirement the continuation of any existing waiver of customs duties.
3. Panama may maintain existing measures inconsistent with paragraphs 1 and 2, provided it maintains such measures in accordance with Article 27.4 of the SCM Agreement. Panama may not maintain any such measures after December 31, 2009.

### **Article 3.5: Temporary Admission of Goods**

1. Each Party shall grant duty-free temporary admission for the following goods, regardless of their origin:
  - (a) professional equipment, including equipment for the press or television, software, and broadcasting and cinematographic equipment, necessary for carrying out the business activity, trade, or profession of a business person who qualifies for temporary entry pursuant to the laws of the importing Party;
  - (b) goods intended for display or demonstration;
  - (c) commercial samples and advertising films and recordings; and
  - (d) goods admitted for sports purposes.
2. Each Party shall, at the request of the person concerned and for reasons its customs authority considers valid, extend the time limit for temporary admission beyond the period initially fixed.
3. Neither Party may condition the duty-free temporary admission of a good referred to in paragraph 1, other than to require that the good:

- (a) be used solely by or under the personal supervision of a national or resident of the other Party in the exercise of the business activity, trade, profession, or sport of that person;
  - (b) not be sold or leased while in its territory;
  - (c) 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;
  - (d) be capable of identification when exported;
  - (e) be exported on the departure of the person referenced in subparagraph (a), or within such other period related to the purpose of the temporary admission as the Party may establish, or within one year, unless extended;
  - (f) be admitted in no greater quantity than is reasonable for its intended use; and
  - (g) be otherwise admissible into the Party's territory under its law.
4. If any condition that a Party imposes under paragraph 3 has not been fulfilled, the Party may apply the customs duty and any other charge that would normally be owed on the good plus any other charges or penalties provided for under its law.
5. Each Party, through its customs authority, shall adopt procedures providing for the expeditious release of goods admitted under this Article. To the extent possible, these procedures shall provide that when such a good accompanies a national or resident of the other Party who is seeking temporary entry, the good shall be released simultaneously with the entry of that national or resident.
6. Each Party shall permit a good temporarily admitted under this Article to be exported through a customs port other than that through which it was admitted.
7. Each Party shall provide that its customs authority or other competent authority shall relieve the importer or other person responsible for a good admitted under this Article from any liability for failure to export the good on presentation of satisfactory proof to the importing Party's customs authority that the good has been destroyed within the original period fixed for temporary admission or any lawful extension.
8. Subject to Chapters Ten (Investment) and Eleven (Cross-Border Trade in Services):
- (a) each Party shall allow a vehicle or container used in international traffic that enters its territory from the territory of the other Party to exit its territory on any route that is reasonably related to the economic and prompt departure of such vehicle or container;

- (b) neither Party may require any bond or impose any penalty or charge solely by reason of any difference between the port of entry and the port of departure of a vehicle or container;
- (c) neither Party may condition the release of any obligation, including any bond, that it imposes in respect of the entry of a vehicle or container into its territory on its exit through any particular port of departure; and
- (d) neither Party may 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 that takes such container to the territory of the other Party.

9. For purposes of paragraph 8, **vehicle** means a truck, a truck tractor, a tractor, a trailer unit or trailer, a locomotive, or a railway car or other railroad equipment.

### **Article 3.6: Goods Re-Entered after Repair or Alteration**

1. Neither Party may 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 the territory of the Party from which the good was exported for repair or alteration.

2. Neither Party may apply a customs duty to a good, regardless of its origin, admitted 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 a good's essential characteristics or creates a new or commercially different good; or
- (b) transforms an unfinished good into a finished good.

### **Article 3.7: Duty-Free Entry of Commercial Samples of Negligible Value and Printed Advertising Materials**

Each Party shall grant duty-free entry to commercial samples of negligible value and to printed advertising materials, imported from the territory of the other Party, regardless of their origin, but may require that:

- (a) such samples be imported solely for the solicitation of orders for goods, or services provided from the territory, of the other Party or a non-Party; or
- (b) such advertising materials be imported in packets that each contain no more than one copy of each such material and that neither such materials nor packets form part of a larger consignment.

## Section D: Non-Tariff Measures

### Article 3.8: Import and Export Restrictions

1. Except as otherwise provided in this Agreement, neither Party may adopt or maintain any prohibition or restriction on the importation of any good of the other Party or on the exportation or sale for export of any good destined for the territory of the other Party, except in accordance with Article XI of the GATT 1994 and its interpretative notes, and to this end Article XI of the GATT 1994 and its interpretative notes are incorporated into and made a part of this Agreement, *mutatis mutandis*.<sup>1</sup>

2. The Parties understand that the GATT 1994 rights and obligations incorporated by paragraph 1 prohibit, in any circumstances in which any other form of restriction is prohibited, a Party from adopting or maintaining:

- (a) export and import price requirements, except as permitted in enforcement of countervailing and antidumping duty orders and undertakings;
- (b) import licensing conditioned on the fulfillment of a performance requirement, except as provided in a Party's Schedule to Annex 3.3; or
- (c) voluntary export restraints inconsistent with Article VI of the GATT 1994, as implemented under Article 18 of the SCM Agreement and Article 8.1 of the AD Agreement.

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, nothing in this Agreement shall be construed to prevent the Party from:

- (a) limiting or prohibiting the importation from the territory of the other Party of such good of that non-Party; or
- (b) requiring as a condition of export of such 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 the request of either Party, shall consult with a view to avoiding undue interference with or distortion of pricing, marketing, or distribution arrangements in the other Party.

5. Paragraphs 1 through 4 shall not apply to the measures set out in Annex 3.2.

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<sup>1</sup> For greater certainty, this paragraph applies, *inter alia*, to prohibitions or restrictions on the importation of remanufactured goods.

6. Panama may not, as a condition for engaging in importation or for the import of a good, require a person of the United States to establish or maintain a contractual or other relationship with a dealer in its territory.

7. Panama may not remedy a violation or alleged violation of any law, regulation, or other measure regulating or otherwise relating to the relationship between any dealer in its territory and any person of the United States, by prohibiting or restricting the importation of any good of the United States.

8. For purposes of this Article:

**dealer** means a person of Panama who is responsible for the distribution, agency, concession, or representation in the territory of Panama of goods of the United States; and

**remedy** means to obtain redress or impose a penalty, including through a provisional, precautionary, or permanent measure.

### **Article 3.9: Import Licensing**

1. Neither Party may adopt or maintain a measure that is inconsistent with the Import Licensing Agreement.

2. Promptly after entry into force of this Agreement, each Party shall notify the other Party of any existing import licensing procedures, and thereafter shall notify the other Party of any new import licensing procedure and any modification to its existing import licensing procedures, within 60 days before it takes effect. A notification provided under this Article shall:

- (a) include the information specified in Article 5 of the Import Licensing Agreement; and
- (b) be without prejudice as to whether the import licensing procedure is consistent with this Agreement.

3. Neither Party may apply an import licensing procedure to a good of the other Party unless it has provided notification in accordance with paragraph 2.

### **Article 3.10: Administrative Fees and Formalities**

1. Each Party shall ensure, in accordance with Article VIII:1 of the GATT 1994 and its interpretive notes, that all fees and charges of whatever character (other than customs duties, charges equivalent to an internal tax or other internal charge applied consistently with Article III:2 of the GATT 1994, and antidumping and countervailing duties) imposed on or in connection with importation or exportation are limited in amount to the approximate cost of services rendered and do not represent an indirect protection to domestic goods or a taxation of imports or exports for fiscal purposes.

2. Neither Party may require consular transactions, including related fees and charges, in connection with the importation of any good of the other Party.
3. Each Party shall make available and maintain through the Internet a current list of the fees and charges it imposes in connection with importation or exportation.
4. The United States shall eliminate its merchandise processing fee on originating goods.

#### **Article 3.11: Export Taxes**

Neither Party may adopt or maintain any duty, tax, or other charge on the export of any good to the territory of the other Party, unless such duty, tax, or charge is also adopted or maintained on the good when destined for domestic consumption.

### **Section E: Other Measures**

#### **Article 3.12: Distinctive Products**

1. Panama shall recognize Bourbon Whiskey and Tennessee Whiskey, which is a straight Bourbon Whiskey authorized to be produced only in the State of Tennessee, as distinctive products of the United States. Accordingly, Panama shall not permit the sale of any product as Bourbon Whiskey or Tennessee Whiskey, unless it has been manufactured in the United States in accordance with the laws and regulations of the United States governing the manufacture of Bourbon Whiskey and Tennessee Whiskey.
2. At the request of a Party, the Committee on Trade in Goods shall consider whether to recommend that the Parties amend the Agreement to designate a good as a distinctive product for purposes of this Article.

### **Section F: Agriculture**

#### **Article 3.13: Scope and Coverage**

This Section applies to measures adopted or maintained by a Party relating to trade in agricultural goods.

#### **Article 3.14: Administration and Implementation of Tariff-Rate Quotas**

1. Each Party shall implement and administer the tariff-rate quotas for agricultural goods set out in Appendix I to its Schedule to Annex 3.3 (hereafter “TRQs”) in accordance with Article XIII of the GATT 1994, including its interpretive notes, and the Import Licensing Agreement.
2. Each Party shall ensure that:

- (a) its procedures for administering its TRQs are transparent, made available to the public, timely, nondiscriminatory, responsive to market conditions, and minimally burdensome to trade;
  - (b) subject to subparagraph (c), any person of a Party that fulfills the Party's legal and administrative requirements shall be eligible to apply and to be considered for an in-quota quantity allocation under the Party's TRQs;
  - (c) it does not, under its TRQs:
    - (i) allocate any portion of an in-quota quantity to a producer 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.
  - (d) solely government authorities administer its TRQs and government authorities do not delegate administration of its TRQs to producer groups or other non-governmental organizations, except as provided in Appendix I to the General Notes of the Schedule of Panama to Annex 3.3; 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. Each Party shall make every effort to administer its TRQs in a manner that allows importers to fully utilize them.
4. Neither Party may condition application for, or use of, an in-quota quantity allocation under a TRQ on the re-export of an agricultural good.
5. Neither Party may count food aid or other non-commercial shipments in determining whether an in-quota quantity under a TRQ has been filled.
6. On request of either Party, the Parties shall consult regarding the administration of the importing Party's TRQs.

### **Article 3.15: Agricultural Export Subsidies**

1. The Parties share the objective of the multilateral elimination of export subsidies for agricultural goods and shall work together toward an agreement in the WTO to eliminate those subsidies and prevent their reintroduction in any form.

2. Except as provided in paragraph 3, neither Party may introduce or maintain any export subsidy on any agricultural good destined for the territory of the other Party.

3. Where the exporting Party considers that a non-Party is exporting an agricultural good to the territory of the other Party with the benefit of export subsidies, the importing Party shall, on written request of the exporting Party, consult with the exporting Party with a view to agreeing on specific measures that the importing Party may adopt to counter the effect of such subsidized imports. If the importing Party adopts the agreed-on measures, the exporting Party shall refrain from applying any export subsidy to its exports of the good to the territory of the importing Party. If the importing Party does not adopt the agreed-on measures, the exporting Party may apply an export subsidy on its exports of the good to the territory of the importing Party only to the extent necessary to counter the trade-distorting effect of subsidized exports of the good from the non-Party to the importing Party's territory.

### **Article 3.16: Export State Trading Enterprises**

The Parties shall work together toward an agreement on export state trading enterprises in the WTO that:

- (a) eliminates restrictions on the right to export;
- (b) eliminates any special financing granted directly or indirectly to state trading enterprises that export for sale a significant share of their country's total exports of an agricultural good; and
- (c) ensures greater transparency regarding the operation and maintenance of export state trading enterprises.

### **Article 3.17: Agricultural Safeguard Measures**

1. Notwithstanding Article 3.3, a Party may apply a measure in the form of an additional import duty on an originating agricultural good listed in that Party's Schedule to Annex 3.17, provided that the conditions in paragraphs 2 through 8 are met. The sum of any such additional import duty and any other customs duty on such good shall not exceed the lowest of:

- (a) the base rate of duty provided in the Party's Schedule to Annex 3.3;
- (b) the prevailing most-favored-nation (MFN) applied rate of duty; or
- (c) the MFN applied rate of duty in effect on the day immediately preceding the date of entry into force of this Agreement.

2. A Party may apply an agricultural safeguard measure during any calendar year if the quantity of imports of the good during such year exceeds the trigger level for that good set out in its Schedule to Annex 3.17.

3. The additional duty under paragraph 1 shall be set according to each Party's Schedule to Annex 3.17.
4. Neither Party may apply an agricultural safeguard measure and at the same time apply or maintain:
  - (a) a safeguard measure under Chapter Eight (Trade Remedies); or
  - (b) a measure under Article XIX of GATT 1994 and the Safeguards Agreement,with respect to the same good.
5. Neither Party may apply or maintain an agricultural safeguard measure on a good:
  - (a) on or after the date that the good is subject to duty-free treatment under the Party's Schedule to Annex 3.3; or
  - (b) that increases the in-quota duty on a good subject to a TRQ.
6. A Party shall implement an agricultural safeguard measure in a transparent manner. Within 60 days after applying such a measure, the Party applying the measure shall notify the other Party, in writing, and shall provide it relevant data concerning the measure. On request, the Party applying the measure shall consult with the other Party regarding application of the measure.
7. A Party may maintain an agricultural safeguard measure only until the end of the calendar year in which the Party applies the measure.
8. Neither Party may apply on an originating agricultural good any safeguard duty pursuant to the WTO Agreement on Agriculture or any successor provisions thereof.
9. The Commission and the Committee on Agricultural Trade may review the implementation and operation of this Article.
10. For purposes of this Article and Annex 3.17, **agricultural safeguard measure** means a measure described in paragraph 1.

#### **Article 3.18: Sugar Compensation Mechanism**

1. In any year, the United States may, at its option, apply a mechanism that results in compensation to Panama's exporters of sugar goods in lieu of according duty-free treatment to some or all of the duty-free quantities of sugar goods established for Panama in paragraph 6 of Appendix I to the General Notes of the Schedule of the United States to Annex 3.3. Such compensation shall be equivalent to the estimated economic rents that Panama's exporters would have obtained on exports to the United States of any such amounts of sugar goods and shall be provided within 30 days after the United States exercises this option. The United States shall

notify Panama at least 90 days before it exercises this option and, on request, shall enter into consultations with Panama regarding application of the mechanism.

2. For purposes of this Article, **sugar good** means a good provided for in paragraph 6(c), (g), or (j) of Appendix I to the General Notes of the Schedule of the United States to Annex 3.3.

#### **Article 3.19: Agriculture Review Commission**

The Parties shall establish an Agriculture Review Commission in the 14th year after the date of entry into force of this Agreement to review the implementation and operation of the Agreement as it relates to trade in agricultural goods. The Agriculture Review Commission shall evaluate the effects of trade liberalization under the Agreement, the operation of Article 3.17 and possible extension of agricultural safeguard measures under that Article, progress toward global agricultural trade reform in the WTO, and developments in world agricultural markets. The Agriculture Review Commission shall report its findings and any recommendations to the Commission.

#### **Article 3.20: Committee on Agricultural Trade**

1. No later than 90 days after the date of entry into force of this Agreement, the Parties shall establish a Committee on Agricultural Trade, comprising representatives of each Party.

2. The Committee shall provide a forum for:

- (a) monitoring and promoting cooperation on the implementation and administration of this Section;
- (b) facilitating trade in agricultural goods between the Parties;
- (c) consultation between the Parties on matters related to this Section in coordination with other committees, subcommittees, working groups, or other bodies established under this Agreement;
- (d) addressing barriers to trade in agricultural goods; and
- (e) undertaking any additional work that the Commission may assign.

3. The Committee shall meet at least once a year unless it decides otherwise. Meetings of the Committee shall be chaired by the representatives of the Party hosting the meeting.

4. All decisions of the Committee shall be taken by mutual agreement.

### **Section G: Textiles and Apparel**

#### **Article 3.21: Customs Cooperation**

1. The customs authorities of the Parties shall cooperate for purposes of:
  - (a) enforcing or assisting in the enforcement of their respective laws, regulations, and procedures affecting trade in textile or apparel goods;
  - (b) ensuring the accuracy of claims of origin for textile or apparel goods; and
  - (c) deterring circumvention of laws, regulations, and procedures of either Party or international agreements affecting trade in textile or apparel goods.
2. In furtherance of paragraph 1, each Party shall adopt or maintain laws that:
  - (a) authorize its officials to take swift action to deter circumvention and to carry out obligations under this Chapter relating to customs cooperation and information sharing; and
  - (b) establish criminal penalties and civil or administrative penalties that effectively deter engaging in, attempting to engage in, or facilitating activities related to circumvention.
3. On request of a Party, the other Party shall provide, consistent with its laws, regulations, and procedures, production, trade, and transit documents and other information necessary to determine:
  - (a) that an enterprise has made an accurate claim of origin for a textile or apparel good; or
  - (b) that an enterprise is complying with applicable customs laws, regulations, and procedures regarding trade in textile or apparel goods, including:
    - (i) laws, regulations, and procedures that the exporting Party adopts or maintains pursuant to this Agreement; and
    - (ii) laws, regulations, and procedures of the importing Party or the exporting Party that give effect to other international agreements regarding trade in textile or apparel goods.

Article 5.6 (Confidentiality) shall apply to any information that the providing Party designates as confidential.

4. (a) On the written request of the importing Party, the exporting Party shall conduct a verification for purposes of enabling the importing Party to make the determination described in paragraph 3(a) or (b), regardless of whether an importer claims preferential tariff treatment for a textile or apparel good for which a claim of origin has been made.

- (b) A request under subparagraph (a) shall include specific information regarding the reason the importing Party is requesting the verification and the determination the importing Party is seeking to make.
- (c) The exporting Party may conduct a verification of exporting enterprises within its territory on its own initiative.

5. The exporting Party may allow the importing Party to participate in a verification conducted under paragraph 4, including through a site visit. If the importing Party believes it is necessary for it to participate in a site visit, the competent authority of the importing Party shall provide a written request to the competent authority of the exporting Party. Site visits shall be conducted in accordance with the laws, regulations, and procedures of the exporting Party.<sup>2</sup> If the exporting Party does not allow the participation of the importing Party, the importing Party may take appropriate action, which may include denying preferential tariff treatment to the type of goods of the enterprise that would have been the subject of the verification.

- 6. (a) The competent authority of the importing Party shall provide a written request to participate in a site visit not less than 14 days before the proposed dates of the site visit. The request shall identify the number of enterprises to be visited, the proposed dates of the visit, and the reason for the visit.
- (b) The importing Party shall ensure that its competent authority does not inform any person, other than the responsible officials of the exporting Party, of a request under subparagraph (a) or its contents. The exporting Party shall ensure that its competent authority and any other person in its territory do not provide prior notice to the enterprise to be visited. The exporting Party or, if the exporting Party requests or authorizes the importing Party to undertake such a verification, the importing Party shall seek permission to conduct a site visit from a responsible person of the enterprise at the time of the visit.
- (c) If the enterprise denies permission to conduct a site visit:<sup>3</sup>
  - (i) the visit shall not occur;
  - (ii) the exporting Party shall not issue any certificates, visas, or export licenses that may be required to accompany textile or apparel goods that the

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<sup>2</sup> For greater certainty, all site visits conducted under this Article shall be conducted under the authority of the exporting Party. The participation of officials of the importing Party at the visit shall be limited to the purposes stated in this Article and shall not be deemed to confer any authority on such officials over persons or enterprises located within the territory of the exporting Party.

<sup>3</sup> Permission to conduct a site visit shall be deemed to have been denied if the enterprise does not allow the responsible officials of either Party access to the enterprise's premises, including its production and storage areas and other facilities or to production records relating to textile or apparel goods that have been exported to the territory of the importing Party, the enterprise's production capabilities in general, the number of persons the enterprise employs, or other records or information relevant to making the determination in paragraph 3(a) or (b).

enterprise produces or exports when such goods are exported to the importing Party, until the exporting Party receives information sufficient to enable it to make the determination in paragraph 3(a) or (b); and

- (iii) the importing Party may deny entry of textile or apparel goods produced or exported by the enterprise, until the importing Party receives information sufficient to enable it to make the determination in paragraph 3(a) or (b).
  - (d) On completion of a site visit in which the importing Party has participated, the importing Party and exporting Party shall discuss their findings and the importing Party shall subsequently provide to the exporting Party a written report of the results of the visit. The exporting Party shall have the opportunity to respond to the report. The written report shall include:
    - (i) the name of the enterprise visited;
    - (ii) for each shipment checked, information discovered relating to circumvention;
    - (iii) observations made at the enterprise relating to circumvention; and
    - (iv) an assessment of whether the enterprise's production records and other documents support its claims of origin for:
      - (A) a textile or apparel good subject to a verification conducted under paragraph 4(a) for the purpose of making the determination in paragraph 3(a); or
      - (B) in the case of a verification conducted under paragraph 4(a) for the purpose of making the determination in paragraph 3(b), any textile or apparel good exported or produced by the enterprise.
7. (a) (i) During a verification conducted under paragraph 4(a), if there is insufficient information to support a claim for preferential tariff treatment, the importing Party may take appropriate action, which may include suspending the application of such treatment to:
- (A) in the case of a verification conducted under paragraph 4(a) for the purpose of making the determination in paragraph 3(a), the textile or apparel good for which a claim for preferential tariff treatment has been made; and
  - (B) in the case of a verification conducted under paragraph 4(a) for the purpose of making the determination in paragraph 3(b), any textile or apparel good exported or produced by the enterprise subject to

that verification for which a claim for preferential tariff treatment has been made.

- (ii) On completion of a verification conducted under paragraph 4(a), if there is insufficient information to support a claim for preferential tariff treatment, the importing Party may take appropriate action, which may include denying the application of such treatment to any textile or apparel good described in clauses (i)(A) and (B).
  - (iii) During or on completion of a verification conducted under paragraph 4(a), if the importing Party discovers that an enterprise has provided incorrect information to support a claim for preferential tariff treatment, the importing Party may take appropriate action, which may include denying the application of such treatment to any textile or apparel good described in clauses (i)(A) and (B).
- (b)
  - (i) During a verification conducted under paragraph 4(a), if there is insufficient information to determine the country of origin, the importing Party may take appropriate action, which may include detention of any textile or apparel good exported or produced by the enterprise subject to the verification.
  - (ii) On completion of a verification conducted under paragraph 4(a), if there is insufficient information to determine the country of origin, the importing Party may take appropriate action, which may include denying entry to any textile or apparel good exported or produced by the enterprise subject to the verification.
  - (iii) During or on completion of a verification conducted under paragraph 4(a), if the importing Party discovers that an enterprise has provided incorrect information as to the country of origin, the importing Party may take appropriate action, which may include denying entry to any textile or apparel good exported or produced by the enterprise subject to the verification.
- (c) The importing Party may continue to take appropriate action under any provision of this paragraph only until it receives information sufficient to enable it to make the determination in paragraph 3(a) or (b), as the case may be.

8. Not later than 45 days after it completes a verification on behalf of the importing Party under paragraph 4(a), the exporting Party shall provide the importing Party a written report on the results of the verification. The report shall include all documents and facts supporting any conclusion that the exporting Party reaches. After receiving the report, the importing Party shall notify the exporting Party of any action it will take under paragraph 7(a)(ii) or (iii) or 7(b)(ii) or (iii), taking into account the information provided in the report.

9. (a) A Party may publish the name of an enterprise that:
- (i) the Party has determined, in accordance with its applicable procedures, to be engaged in intentional circumvention of laws, regulations, and procedures of either Party or international agreements affecting trade in textile or apparel goods; or
  - (ii) has failed to demonstrate that it produces, or is capable of producing, the textile or apparel goods subject to a verification conducted under paragraph 4(a).
- (b) Each Party shall provide that an enterprise whose name has been included in a list that the Party publishes in accordance with subparagraph (a) may request that the Party remove the enterprise from its list. If the importing Party finds that the enterprise has not committed any violations described in subparagraph (a) for a period of not less than three years after the date on which the enterprise's name was published, the importing Party shall remove the enterprise from its list as of the next publication of the list.
- (c) A Party's decision to publish the name of an enterprise in accordance with subparagraph (a) shall not, in itself, constitute a basis for the Party to deny entry to textile or apparel goods produced or exported by the enterprise.

### **Article 3.22: Monitoring**

1. The eligible Party shall establish and maintain programs to monitor the importation, production, exportation, movement in transit, and processing or manipulation in any free trade zone, foreign trade zone, or export processing zone of textile or apparel goods, as specified in this article. These programs shall provide the information necessary for each Party to ascertain whether a violation of its laws relating to trade in textile or apparel goods or an act of circumvention is occurring or has occurred.
2. The eligible Party shall establish and maintain a program to verify the accuracy of claims of origin relating to textile or apparel goods that are exported to the other Party. This program shall include on-site government inspections of any enterprise of the eligible Party involved in the production of any such good without prior notice to the enterprise to verify that the enterprise complies with laws of the eligible Party relating to trade in textile or apparel goods and that the enterprise's production of and capability to produce such goods are consistent with claims regarding the origin of such goods.
3. For each shipment of textile or apparel goods that an enterprise in its territory produces for exportation to the other Party or exports to the other Party, the eligible Party shall require the enterprise to maintain in the eligible Party records relating to such production or exportation for a period of five years from the date on which such records are created. The eligible Party also shall require each of its enterprises that produces textile or apparel goods to maintain in the eligible Party records relating to its production capabilities in general, the number of persons it

employs, and any other records and information sufficient to allow officials of each Party to verify the enterprise's production and exportation of textile or apparel goods, including:

- (a) records demonstrating that the materials used to produce or assemble textile or apparel goods were obtained or produced by the enterprise and were available for production, such as:
  - (i) bills of lading from the persons that supplied the materials;
  - (ii) customs clearance records or equivalent records if the materials were imported into the eligible Party; and
  - (iii) transaction records, including:
    - (A) commercial invoices, if the materials were purchased;
    - (B) records documenting transfers of funds;
    - (C) mill certificates if the materials were spun, extruded (for yarns) or woven, knitted, or formed by any other fabric forming process (for example, tufting) by an enterprise of the eligible Party;
    - (D) production records, if the enterprise produced the materials; and
    - (E) purchase orders, if the materials were imported from a foreign producer, broker, trader, or other intermediary;
- (b) with respect to textile or apparel goods that the enterprise has produced with respect to which a claim of origin is made, production records that substantiate the claim or marking, such as:
  - (i) cutting records for products assembled from cut components;
  - (ii) assembly or production records that the enterprise creates that document daily production, including workers' daily production records, wage records, production steps, and sewing tickets; and
  - (iii) employee time cards, payment records, or other documentation showing which employees were working, how long they worked, and what work they performed during the period the goods were produced; and
- (c) with respect to textile or apparel goods that a subcontractor has produced in whole or in part for the enterprise and with respect to which a claim of origin is made, records that substantiate the claim of origin, such as:
  - (i) cutting records for products assembled from cut components;

- (ii) if partially assembled by the subcontractor, production records documenting the partial assembly;
- (iii) bills of lading; and
- (iv) transfer documents to the shipper or primary contractor and proof of payment by the shipper or primary contractor for the work done.

4. The eligible Party shall establish and maintain a program to ensure that textile or apparel goods that are imported into or exported from the eligible Party or that are processed or manipulated in any free trade zone, foreign trade zone, or export processing zone in the eligible Party en route to the other Party are examined to ascertain *prima facie* that they are marked with the country of origin in accordance with the documents accompanying the goods and that such documents accurately describe the goods.

- (a) This program shall provide for:
  - (i) immediate referral by the eligible Party's officials of suspected violations of either Party's laws relating to circumvention to the appropriate enforcement authorities; and
  - (ii) issuance by the eligible Party to the other Party of a written report describing each violation relating to circumvention, including a failure to maintain or produce records, any other act of circumvention involving textile or apparel goods destined for the other Party occurring in the territory of the eligible Party, and any enforcement action taken or penalty imposed by the eligible Party.
- (b) Article 5.6 (Confidentiality) shall apply to any information contained in a report under subparagraph (a)(ii) that the eligible Party designates as confidential.
- (c) Notwithstanding subparagraph (b), a Party may publish the name of an enterprise that it has determined is engaged in circumvention.

5. If the eligible Party discovers conduct by an enterprise that it suspects is a violation of either Party's laws relating to circumvention, and the conduct has not been described in a report under paragraph 4(a)(ii), the eligible Party shall report the conduct to the other Party not later than 14 days after the eligible Party discovers the conduct. The eligible Party shall also immediately initiate a detailed review of all textile or apparel goods that the enterprise has produced for exportation to the other Party or exported to the other Party during the six months preceding the date that the eligible Party discovered the conduct. The eligible Party shall prepare a report describing the results of that review and shall transmit the report to the other Party not later than 60 days after it initiates the review of the enterprise or such later date as the Parties may agree.

6. A report describing the results of a review conducted pursuant to paragraph 5 shall include the following:

- (a) the name and address of the enterprise investigated;
- (b) the nature of the suspected violation (for example, failure to maintain adequate production records or making false statements relating to country of origin or production);
- (c) a brief description of the evidence of a violation and any penalty imposed or other action taken;
- (d) the identification numbers of the invoices or certificates, if required, and the date of exportation of the goods subject to the review;
- (e) the product category, description, and quantity of the goods included in the shipments to the other Party; and
- (f) purchase orders, bills of lading, contracts, payment records, invoices, and other records indicating the origin of the goods included in the shipments to the other Party, and, if known, information identifying the importer of the goods in the other Party.

7. The eligible Party shall obtain and annually update the following information regarding its enterprises:

- (a) the name and address of the enterprise and the location of all of its textile or apparel facilities in the eligible Party;
- (b) the telephone number, facsimile number, and e-mail address of the enterprise;
- (c) the names and nationalities of the owners, if known, or the directors and corporate officers and their positions within the enterprise;
- (d) the number of employees of the enterprise and their occupations;
- (e) the number and type of machines the enterprise uses to produce textile or apparel goods and the approximate number of hours the machines operate per week;
- (f) a general description of the textile or apparel goods the enterprise produces and the enterprise's production capacity; and
- (g) the name of, and contact information for, each of the enterprise's customers in the other Party.

The eligible Party shall provide this information to the other Party within three months after the date of entry into force of this Agreement and annually thereafter. The other Party shall consider the information that the eligible Party provides under this paragraph to have been designated as confidential information in accordance with Article 5.6 (Confidentiality).

### **Article 3.23: Consultations on Customs Cooperation and Monitoring**

1. On the written request of a Party, the Parties shall enter into consultations to resolve any technical or interpretive difficulties that may arise, or to discuss ways to improve customs cooperation, under Articles 3.21 and 3.22. Unless the Parties otherwise agree, consultations shall begin within 30 days after delivery of the request, and conclude within 90 days after delivery of the request.
2. A Party may request technical or other assistance from the other Party in carrying out Articles 3.21 and 3.22. The Party receiving such a request shall make every effort to respond favorably and promptly to it.

### **Article 3.24: Textile Safeguard Measures**

1. Subject to the following paragraphs, and during the transition period only, if, as a result of the reduction or elimination of a duty provided for in this Agreement, a textile or apparel good of a Party is being imported into the territory of the other Party in such increased quantities, in absolute terms or relative to the domestic market for that good, and under such conditions as to cause serious damage, or actual threat thereof, to a domestic industry producing a like or directly competitive good, the importing Party may, to the extent necessary to prevent or remedy such damage and to facilitate adjustment, apply a textile safeguard measure to that good, consisting of an increase in the rate of duty on the good to a level not to exceed the lesser of:
  - (a) the most-favored-nation (MFN) applied rate of duty in effect at the time the measure is applied; or
  - (b) the MFN applied rate of duty in effect on the date of entry into force of this Agreement.
2. In determining serious damage, or actual threat thereof, the importing Party:
  - (a) shall examine the effect of increased imports of the good of the other Party on the particular industry, as reflected in changes in such relevant economic variables as output, productivity, utilization of capacity, inventories, market share, exports, wages, employment, domestic prices, profits, and investment, none of which, either alone or combined with other factors, shall necessarily be decisive; and
  - (b) shall not consider changes in technology or consumer preference as factors supporting a determination of serious damage or actual threat thereof.

3. The importing Party may apply a textile safeguard measure only following an investigation by its competent authority.
4. If, on the basis of the results of the investigation under paragraph 3, the importing Party intends to apply a textile safeguard measure, the importing Party shall promptly provide written notice to the exporting Party of its intent to apply a textile safeguard measure, and on request shall enter into consultations with that Party. The Parties shall begin the consultations without delay and shall complete them within 60 days of the date of receipt of the request. The importing Party shall make a decision on whether to apply a safeguard measure within 30 days of completion of the consultations.
5. The following conditions and limitations apply to any textile safeguard measure:
- (a) neither Party may maintain a textile safeguard measure for a period exceeding three years;
  - (b) neither Party may apply a textile safeguard measure to the same good of the other Party more than once;
  - (c) on termination of the textile safeguard measure, the Party applying the measure shall apply the rate of duty set out in its Schedule to Annex 3.3 (Tariff Elimination), as if the measure had never been applied; and
  - (d) neither Party may maintain a textile safeguard measure beyond the transition period.
6. The Party applying a textile safeguard measure shall provide to the Party against whose good the measure is taken mutually agreed trade liberalizing compensation in the form of concessions having substantially equivalent trade effects or equivalent to the value of the additional duties expected to result from the textile safeguard measure. Such concessions shall be limited to textile or apparel goods, unless the Parties otherwise agree. If the Parties are unable to agree on compensation within 30 days of application of a textile safeguard measure, the Party against whose good the measure is taken may take tariff action having trade effects substantially equivalent to the trade effects of the textile safeguard measure. Such tariff action may be taken against any goods of the Party applying the measure. The Party taking the tariff action shall apply such action only for the minimum period necessary to achieve the substantially equivalent trade effects. The importing Party's obligation to provide trade compensation and the exporting Party's right to take tariff action shall terminate when the textile safeguard measure terminates.
7. (a) Each Party retains its rights and obligations under Article XIX of the GATT 1994 and the Safeguards Agreement.
- (b) Neither Party may apply, with respect to the same good at the same time, a textile safeguard measure and:
- (i) a safeguard measure under Chapter Eight (Trade Remedies); or

- (ii) a measure under Article XIX of the GATT 1994 and the Safeguards Agreement.

### **Article 3.25: Rules of Origin and Related Matters**

#### *Consultations on Rules of Origin*

1. On request of a Party, the Parties shall, within 30 days after the request is delivered, consult on whether the rules of origin applicable to a particular textile or apparel good should be modified.
2. In the consultations referred to in paragraph 1, each Party shall consider all data that a Party presents demonstrating substantial production in its territory of the good. The Parties shall consider that there is substantial production if a Party demonstrates that its domestic producers are capable of supplying commercial quantities of the good in a timely manner.
3. The Parties shall endeavor to conclude the consultations within 90 days after delivery of the request. If the Parties reach an agreement to modify a rule of origin for a particular good, the agreement shall supersede that rule of origin when approved by the Parties in accordance with Article 19.1.3(b) (The Free Trade Commission).

#### *Fabrics, Yarns, and Fibers Not Available in Commercial Quantities*

4.
  - (a) At the request of an interested entity, the United States shall, within 30 business days of receiving the request, add a fabric, yarn, or fiber in an unrestricted or restricted quantity to the list in Annex 3.25, if the United States determines, based on information supplied by interested entities, that the fabric, yarn, or fiber is not available in commercial quantities in a timely manner in the territories of the Parties, or if no interested entity objects to the request.
  - (b) If there is insufficient information to make the determination in subparagraph (a), the United States may extend the period within which it must make that determination by no more than 14 business days, in order to meet with interested entities to substantiate the information.
  - (c) If the United States does not make the determination in subparagraph (a) within 15 business days of the expiration of the period within which it must make that determination, as specified in subparagraph (a) or (b), the United States shall grant the request.
  - (d) The United States may, within six months after adding a restricted quantity of a fabric, yarn, or fiber to the list in Annex 3.25 pursuant to subparagraph (a), eliminate the restriction.

- (e) The United States shall add a fabric, yarn, or fiber in an unrestricted quantity to the list in Annex 3.25 if, before the date of entry into force of this Agreement, the United States has determined that the fabric, yarn, or fiber is not available in commercial quantities in the United States pursuant to:
  - (i) section 112(b)(5)(B) of the *African Growth and Opportunity Act* (19 U.S.C. § 3721(b)), section 204(b)(3)(B)(ii) of the *Andean Trade Preference Act* (19 U.S.C. § 3203(b)(3)(B)(ii)), or section 213(b)(2)(A)(v)(II) of the *Caribbean Basin Economic Recovery Act* (19 U.S.C. § 2703(b)(2)(A)(v)(II)); or
  - (ii) procedures under another free trade agreement to which the United States is a party that permit the United States to determine that a fabric, yarn, or fiber is not available in commercial quantities in a timely manner, and the United States has added the fabric, yarn, or fiber in an unrestricted quantity to a list of fabrics, yarns, and fibers that are not available in commercial quantities in a timely manner established under that free trade agreement.

5. At the request of an interested entity made no earlier than six months after the United States has added a fabric, yarn, or fiber in an unrestricted quantity to Annex 3.25 pursuant to paragraph 4, the United States may, within 30 business days after it receives the request:

- (a) delete the fabric, yarn, or fiber from the list in Annex 3.25; or
- (b) introduce a restriction on the quantity of the fabric, yarn, or fiber added to Annex 3.25,

if the United States determines, based on the information supplied by interested entities, that the fabric, yarn, or fiber is available in commercial quantities in a timely manner in the territory of either Party. Such deletion or restriction shall not take effect until six months after the United States publishes its determination.

6. Promptly after the date of entry into force of this Agreement, the United States shall publish the procedures it will follow in considering requests under paragraphs 4 and 5.

#### *De Minimis*

7. A textile or apparel good that is not an originating good because certain fibers or yarns used in the production of the component of the good that determines the tariff classification of the good do not undergo an applicable change in tariff classification set out in Annex 4.1 (Specific Rules of Origin), shall nonetheless be considered to be an originating good if the total weight of all such fibers or yarns in that component is not more than ten percent of the total weight of that component.<sup>4</sup>

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<sup>4</sup> For greater certainty, when the good is a fabric, yarn, or fiber, the “component of the good that determines the tariff classification of the good” means all of the fibers in the good.

8. Notwithstanding paragraph 7, a good containing elastomeric yarns<sup>5</sup> in the component of the good that determines the tariff classification of the good shall originate only if such yarns are wholly formed and finished in the territory of one or both of the Parties.

#### *Treatment of Sets*

9. Notwithstanding the specific rules of origin in Annex 4.1 (Specific Rules of Origin), textile or apparel goods classifiable as goods put up in sets for retail sale as provided for in General Rule of Interpretation 3 of the Harmonized System, shall not be regarded as originating goods unless each of the products in the set is an originating good or the total value of the non-originating goods in the set does not exceed ten percent of the adjusted value of the set.<sup>6</sup>

#### *Treatment of Nylon Filament Yarn*

10. A textile or apparel good that is not an originating good because certain yarns used in the production of the component of the good that determines the tariff classification of the good do not undergo an applicable change in tariff classification set out in Annex 4.1 (Specific Rules of Origin), shall nonetheless be considered to be an originating good if the yarns are those described in section 204(b)(3)(B)(vi)(IV) of the *Andean Trade Preference Act* (19 U.S.C. § 3203(b)(3)(B)(vi)(IV)).

#### *Consultations on Cumulation*

11. If Panama enters into a free trade agreement covering trade in textile or apparel goods with a country with which the United States has entered into a free trade agreement, the Parties shall enter into consultations in accordance with paragraphs 1 and 3, with a view to deciding whether any material that is a good of that country that is incorporated into a good of a Party classified under chapter 61 or 62 of the Harmonized System may be counted for purposes of determining whether the good classified under chapter 61 or 62 is an originating good under this Agreement.

### **Article 3.26: Most-Favored-Nation Rates of Duty on Certain Goods**

For a textile or apparel good provided for in chapters 61 through 63 of the Harmonized System that is not an originating good, the United States shall apply its MFN rate of duty only on the value of the assembled good minus the value of fabrics wholly formed and finished in the United States, components knit-to-shape in the United States, and any other materials of U.S. origin used in the production of such a good, provided that the good is sewn or otherwise assembled in the territory of Panama with thread wholly formed and finished in the United

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<sup>5</sup> For greater certainty, the term “elastomeric yarns” does not include latex.

<sup>6</sup> For purposes of this paragraph, the term “adjusted value” has the meaning ascribed to that term in Article 4.23 (Definitions).

States, from fabrics wholly formed and finished in the United States and cut in one or both of the Parties, or from components knit-to-shape in the United States, or both.

### **Article 3.27: Duty-Free Treatment for Certain Goods**

1. The Parties may identify at any time particular textile or apparel goods of the exporting Party that they mutually agree fall within:
  - (a) hand-loomed fabrics of a cottage industry;
  - (b) hand-made cottage industry goods made of such hand-loomed fabrics;
  - (c) traditional folklore handicraft goods; or
  - (d) textile or apparel goods that substantially incorporate one or more molas.
2. The importing Party shall grant duty-free treatment to goods so identified, if certified by the competent authority of the exporting Party.

### **Article 3.28: Duty-Free Treatment for Certain Guayabera-Style Dresses and Shirts**

An importing Party shall grant duty-free treatment to dresses of heading 62.04 and shirts and blouses of heading 62.05 or 62.06 containing:

- (a) short or long sleeves;
- (b) a center front placket with button closure that runs the full length of the good;
- (c) a collar and yoke;
- (d) either pleats or embroidery that run the full length of the good on both sides of the center front placket from the yoke to the hem with a decorative button where the pleats or embroidery meet the yoke;
- (e) corresponding pleats or embroidery that run the full length of the good on both sides of the back from the yoke to the hem with a decorative button where the pleats or embroidery meet the yoke;
- (f) four pockets with buttons on the front of the good;
- (g) a straight hem; and
- (h) side vents or slits with a button closure,

provided that the good is both cut and sewn or otherwise assembled in the territory of one or both of the Parties.

### **Article 3.29: Duty-Free Treatment for Certain Socks**

The United States shall grant duty-free treatment to:

- (a) babies' socks and booties classified under tariff item 6111.20.6050, 6111.30.5050, or 6111.90.5050 of the Harmonized Tariff Schedule of the United States; and
- (b) socks classified under subheading 6115.91 through 6115.99,

provided that the good is sewn or otherwise assembled in Panama with thread wholly formed and finished in the United States from components knit-to-shape in the United States from yarns wholly formed and finished in the United States.

### **Article 3.30: Definitions**

For purposes of this Section:

**circumvention** means providing a false declaration or false information for the purpose of, or with the effect of, violating or evading existing customs, country of origin labeling, or trade laws of a Party relating to imports of textile and apparel goods, if such action results in the avoidance of tariffs, quotas, embargoes, prohibitions, restrictions, trade remedies, including antidumping or countervailing duties, or safeguard measures, or in obtaining preferential tariff treatment. Examples of circumvention include illegal transshipment; rerouting; fraud; false declarations concerning country of origin, fiber content, quantities, description, or classification; falsification of documents; and smuggling;

**claim of origin** means a claim that a textile or apparel good is an originating good or a good of a Party;

**eligible Party** means the Party whose calendar year exports by value of goods classified under Harmonized System chapter 61 or 62 (excluding subheadings 6117.90 and 6217.90) as a percentage of its calendar year total exports by value of goods classified under Harmonized System chapters 50 through 63 exceed said percentage of the other Party's exports by value of goods classified under Harmonized System chapters 50 through 63. For purposes of this definition, the first calendar year shall be the most recent calendar year for which a full 12 months of data are available as of the date of entry into force of this Agreement. If either Party's calendar year exports by value of goods classified under Harmonized System chapters 50 through 63 fall below US\$2 million, then the export data from the most recent prior calendar year in which both Parties' exports of such goods exceeded US\$2 million shall be used for purposes of this definition;

**enterprise**, in the case of Panama, means an enterprise as defined in Article 2.1 (Definitions of General Application), and includes an enterprise involved in:

- (a) production, processing, or manipulation of textile or apparel goods in the territory of Panama, including in any free trade zone, foreign trade zone, or export processing zone;
- (b) importation of textile or apparel goods into the territory of Panama, including into any free trade zone, foreign trade zone, or export processing zone; or
- (c) exportation of textile or apparel goods from the territory of Panama, including from any free trade zone, foreign trade zone, or export processing zone;

**exporting Party** means the Party from whose territory a textile or apparel good is exported;

**importing Party** means the Party into whose territory a textile or apparel good is imported;

**interested entity** means a Party, a potential or actual purchaser of a textile or apparel good, or a potential or actual supplier of a textile or apparel good;

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

**textile or apparel good** means a good listed in the Annex to the Agreement on Textiles and Clothing, except for those goods listed in Annex 3.30;

**textile safeguard measure** means a measure applied under Article 3.24.1;

**transition period** means the five-year period beginning on the date of entry into force of this Agreement; and

**wholly formed and finished** means:

- (a) when used in reference to fabrics, all production processes and finishing operations necessary to produce a finished fabric ready for use without further processing. These processes and operations include formation processes, such as weaving, knitting, needling, tufting, felting, entangling, or other such processes, and finishing operations, including bleaching, dyeing, and printing; and
- (b) when used in reference to yarns, all production processes and finishing operations, beginning with the extrusion of filaments, strips, film, or sheet, and including drawing to fully orient a filament or slitting a film or sheet into strip, or the spinning of all fibers into yarn, or both, and ending with a finished yarn or plied yarn.

## Section H: Institutional Provisions

### Article 3.31: Committee on Trade in Goods

1. The Parties hereby establish a Committee on Trade in Goods, comprising representatives of each Party.
2. The Committee shall meet on the request of a Party or the Commission to consider any matter arising under this Chapter, Chapter Four (Rules of Origin and Origin Procedures), or Chapter Five (Customs Administration and Trade Facilitation).
3. The Committee's functions shall include:
  - (a) promoting trade in goods between the Parties, including through consultations on accelerating tariff elimination under this Agreement and other issues as appropriate;
  - (b) addressing barriers to trade in goods between the Parties, especially those related to the application of non-tariff measures, and, if appropriate, referring such matters to the Commission for its consideration; and
  - (c) providing to the Committee on Trade Capacity Building advice and recommendations on technical assistance needs regarding matters relating to this Chapter, Chapter Four (Rules of Origin and Origin Procedures), or Chapter Five (Customs Administration and Trade Facilitation).

## Section I: Definitions

### Article 3.32: Definitions

For purposes of this Chapter:

**AD Agreement** means the *WTO Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade 1994*;

**advertising films and recordings** means recorded visual media or audio materials, consisting essentially of images and/or sound, showing the nature or operation of goods or services offered for sale or lease by a person established or resident in the territory of a Party, provided that such materials are of a kind suitable for exhibition to prospective customers but not for broadcast to the general public;

**Agreement on Textiles and Clothing** means the *WTO Agreement on Textiles and Clothing*;

**agricultural goods** means those goods referred to in Article 2 of the *WTO Agreement on Agriculture*;

**commercial samples of negligible value** means commercial samples having a value, individually or in the aggregate as shipped, of not more than one U.S. dollar, or the equivalent amount in Panamanian currency, or so marked, torn, perforated, or otherwise treated that they are unsuitable for sale or use except as commercial samples;

**consular transactions** means requirements that goods of a Party intended for export to the territory of the other Party must first be submitted to the supervision of the consul of the importing Party in the territory of the exporting Party for the purpose of obtaining consular invoices or consular visas for commercial invoices, certificates of origin, manifests, shippers' export declarations, or any other customs documentation required on or in connection with importation;

**consumed** means

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

**duty-free** means free of customs duty;

**export subsidies** shall have the meaning assigned to that term in Article 1(e) of the WTO *Agreement on Agriculture*, including any amendment of that article;

**goods intended for display or demonstration** includes their component parts, ancillary apparatus, and accessories;

**goods temporarily admitted for sports purposes** means sports requisites for use in sports contests, demonstrations, or training in the territory of the Party into whose territory such goods are admitted;

**import licensing** means an administrative procedure requiring the submission of an application or other documentation (other than that generally required for customs clearance purposes) to the relevant administrative body as a prior condition for importation into the territory of the importing Party;

**Import Licensing Agreement** means the WTO *Agreement on Import Licensing Procedures*;

**performance requirement** means a requirement that:

- (a) a given level or percentage of goods or services be exported;
- (b) domestic goods or services of the Party granting a waiver of customs duties or import license be substituted for imported goods;

- (c) a person benefiting from a waiver of customs duties or an import license purchase other goods or services in the territory of the Party granting the waiver of customs duties or the import license, or accord a preference to domestically produced goods;
- (d) a person benefiting from a waiver of customs duties or an import license produce goods or supply services, in the territory of the Party granting the waiver of customs duties or the import license, with a given level or percentage of domestic content; or
- (e) relates in any way the volume or value of imports to the volume or value of exports or to the amount of foreign exchange inflows,

but does not include a requirement that an imported good be:

- (f) subsequently exported;
- (g) used as a material in the production of another good that is subsequently exported;
- (h) substituted by an identical or similar good used as a material in the production of another good that is subsequently exported; or
- (i) substituted by an identical or similar good that is subsequently exported;

**printed advertising materials** means those goods classified in Chapter 49 of the Harmonized System, including brochures, pamphlets, leaflets, trade catalogues, yearbooks published by trade associations, tourist promotional materials, and posters, that are used to promote, publicize, or advertise a good or service, are essentially intended to advertise a good or service, and are supplied free of charge; and

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

## **Annex 3.2**

### **National Treatment and Import and Export Restrictions**

#### **Section A: Measures of Panama**

Articles 3.2 and 3.8.1 through 3.8.4 shall not apply to:

- (a) measures regulating the importation of lottery tickets in official circulation pursuant to Cabinet Decree No. 19 of June 30, 2004;
- (b) controls on the importation of used vehicles pursuant to Law No. 36 of May 17, 1996;<sup>7</sup>
- (c) controls on the importation of video and other games classified under heading 95.04 providing cash prizes pursuant to Law No. 2 of February 10, 1998;
- (d) measures relating to the export of wood from national forests pursuant to Executive Decree No. 57 of June 5, 2002; and
- (e) actions authorized by the Dispute Settlement Body of the WTO.

#### **Section B: Measures of the United States**

Articles 3.2 and 3.8.1 through 3.8.4 shall not apply to:

- (a) controls on the export of logs of all species;
- (b)
  - (i) measures under existing provisions of the *Merchant Marine Act of 1920*, 46 App. U.S.C. § 883; the *Passenger Vessel Act*, 46 App. U.S.C. §§ 289, 292, and 316; and 46 U.S.C. § 12108, to the extent that such measures were mandatory legislation at the time of the accession of the United States to the General Agreement on Tariffs and Trade 1947 (GATT 1947) and have not been amended so as to decrease their conformity with Part II of the GATT 1947;
  - (ii) the continuation or prompt renewal of a non-conforming provision of any statute referred to in clause (i); and
  - (iii) the amendment to a non-conforming provision of any statute referred to in clause (i) to the extent that the amendment does not decrease the conformity of the provision with Articles 3.2 and 3.8.1 through 3.8.4; and

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<sup>7</sup> The controls identified in this subparagraph do not apply to remanufactured goods.

- (c) actions authorized by the Dispute Settlement Body of the WTO.

### **Annex 3.3**

#### **Tariff Elimination**

1. Except as otherwise provided in a Party's Schedule to this Annex, the following staging categories apply to the elimination of customs duties by each Party pursuant to Article 3.3.2:

- (a) duties on originating goods provided for in the items in staging category A in a Party's Schedule shall be eliminated entirely, and such goods shall be duty-free on the date this Agreement enters into force;
- (b) duties on originating goods provided for in the items in staging category B in a Party's Schedule shall be removed in five equal annual stages beginning on the date this Agreement enters into force, and such goods shall be duty-free, effective January 1 of year five;
- (c) duties on originating goods provided for in the items in staging category C in a Party's Schedule shall be removed in ten equal annual stages beginning on the date this Agreement enters into force, and such goods shall be duty-free, effective January 1 of year ten;
- (d) duties on originating goods provided for in the items in staging category D in a Party's Schedule shall remain at base rates during years one through five. Beginning on January 1 of year six, duties shall be reduced in five equal annual stages, and such goods shall be duty-free, effective January 1 of year ten;
- (e) duties on originating goods provided for in the items in staging category E in a Party's Schedule shall be removed in 15 equal annual stages beginning on the date this Agreement enters into force, and such goods shall be duty-free, effective January 1 of year 15;
- (f) duties on originating goods provided for in the items in staging category F in a Party's Schedule shall remain at base rates during years one through five. Beginning on January 1 of year six, duties shall be reduced in ten equal annual stages, and such goods shall be duty-free, effective January 1 of year 15;
- (g) duties on originating goods provided for in the items in staging category G in a Party's Schedule shall remain at base rates during years one through eight. Beginning on January 1 of year nine, duties shall be reduced in seven equal annual stages, and such goods shall be duty-free, effective January 1 of year 15;
- (h) duties on originating goods provided for in the items in staging category H in a Party's Schedule shall remain at base rates during years one through nine. Beginning on January 1 of year ten, duties shall be reduced in eight equal annual stages, and such goods shall be duty-free, effective January 1 of year 17; and

- (i) originating goods provided for in the items in staging category I in a Party's Schedule shall continue to receive duty-free treatment.
- 2. The base rate of customs duty and staging category for determining the interim rate of customs duty at each stage of reduction for an item are indicated for the item in each Party's Schedule.
- 3. Interim staged rates shall be rounded down, at least to the nearest tenth of a percentage point, or, if the rate of duty is expressed in monetary units, at least to the nearest 0.001 of the official monetary unit of the Party.
- 4. For purposes of this Annex and a Party's Schedule, **year one** means the year this Agreement enters into force as provided in Article 22.5 (Entry into Force and Termination).
- 5. For purposes of this Annex and a Party's Schedule, beginning in year two, each annual stage of tariff reduction shall take effect on January 1 of the relevant year.

## Annex 3.17

### Agricultural Safeguard Measures

#### General Notes

1. For each good listed in a Party's Schedule to this Annex for which the agricultural safeguard trigger level is set out in that Schedule as a percentage of the applicable tariff-rate quota (TRQ), the trigger level in any year shall be determined by multiplying the in-quota quantity for that good for that year, as set out in Appendix I to the Party's Schedule to Annex 3.3, by the applicable percentage. For each good listed in a Party's Schedule to this Annex for which the trigger level is set out as a fixed initial amount in the Party's Schedule, the trigger level set out in the Schedule shall be the trigger level in year one. The trigger level in any subsequent year shall be determined by adding to that amount the quantity derived by applying the applicable annual trigger growth rate to that amount, compounded annually. For purposes of this Annex, the term "year one" shall have the meaning given to that term in Annex 3.3.
2. For purposes of this Annex, **prime and choice beef** shall mean prime and choice grades of beef as defined in the United States Standards for Grades of Carcass Beef, promulgated pursuant to the *Agricultural Marketing Act of 1946* (7 U.S.C. §§ 1621-1627), as amended.

#### Schedule of Panama

##### *Subject Goods and Trigger Levels*

1. For purposes of paragraphs 1 and 2 of Article 3.17, originating goods that may be subject to an agricultural safeguard measure and the trigger level for each such good are set out below:

| Good                                  | Tariff Classification                                                                                                                                                                                                                | Trigger Level | Annual Compound Trigger Growth Rate |
|---------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|-------------------------------------|
| Beef Other than Prime and Choice Beef | 02012000b, 02013000b, 02022000b, 02023000b                                                                                                                                                                                           | 330 MT        | 10%                                 |
| Pork                                  | 02031110, 02031120, 02031210, 02031290, 02031910, 02031920, 02031990, 02032110, 02032120, 02032210, 02032290, 02032910, 02032920, 02032990, 02101119, 02101190, 02101910, 02101929, 02101990, 16024111, 16024210, 16024290, 16024919 | 130% of TRQ   |                                     |
| Chicken Leg Quarters (Bone-in)        | 02071319c, 02071419c                                                                                                                                                                                                                 | 130% of TRQ   |                                     |
| Fluid Milk                            | 04011000, 04012010, 04012020,                                                                                                                                                                                                        | 110% of TRQ   |                                     |

| <b>Good</b>            | <b>Tariff Classification</b>                                                   | <b>Trigger Level</b> | <b>Annual Compound Trigger Growth Rate</b> |
|------------------------|--------------------------------------------------------------------------------|----------------------|--------------------------------------------|
|                        | 04012090, 04013010, 04013021                                                   |                      |                                            |
| Nonfat Dry Milk        | 04021091, 04021092, 04021099, 04039022                                         | 110% of TRQ          |                                            |
| Whole Milk Powder      | 04022191, 04022199, 04022991, 04022999, 04039023                               | 110% of TRQ          |                                            |
| Yogurt                 | 04031010, 04031021, 04031022, 04031031, 04031032, 04031091, 04031099           | 110% of TRQ          |                                            |
| Butter                 | 04051000, 04052010, 04052090, 04059090                                         | 110% of TRQ          |                                            |
| Cheddar Cheese         | 04039013, 04069011, 04069019                                                   | 110% of TRQ          |                                            |
| Other Cheese           | 04061010, 04061090, 04062010, 04062090, 04063000, 04064000, 04069020, 04069090 | 110% of TRQ          |                                            |
| Ice Cream              | 21050010, 21050091, 21050099                                                   | 110% of TRQ          |                                            |
| Other Dairy Products   | 19011019, 19019023, 22029011, 22029019                                         | 110% of TRQ          |                                            |
| Rough Rice             | 10061090                                                                       | 130% of TRQ          |                                            |
| Milled Rice            | 10062000, 10063000, 10064000                                                   | 130% of TRQ          |                                            |
| Certain Vegetable Oils | 15079000, 15121900, 15162090, 15179010, 15179090                               | 4,500 MT             | 10%                                        |
| Refined Corn Oil       | 15152900                                                                       | 150% of TRQ          |                                            |
| Processed Tomatoes     | 20029011, 20029012, 20029019, 20029021, 20029029                               | 150% of TRQ          |                                            |

*Additional Import Duty*

2. For purposes of paragraph 3 of Article 3.17, the additional import duty shall be:
  - (a) For beef other than prime and choice beef, certain vegetable oils, and processed tomatoes as listed in this Schedule:
    - (i) in years one through six, less than or equal to 100 percent of the difference between the appropriate rate of duty as determined under Article 3.17.1 and the applicable tariff rate in the Schedule of Panama to Annex 3.3; and
    - (ii) in years seven through 14, less than or equal to 50 percent of the difference between the appropriate rate of duty as determined under Article 3.17.1 and the applicable tariff rate in the Schedule of Panama to Annex 3.3.

- (b) For pork as listed in this Schedule:
  - (i) in years one through nine, less than or equal to 100 percent of the difference between the appropriate rate of duty as determined under Article 3.17.1 and the applicable tariff rate in the Schedule of Panama to Annex 3.3;
  - (ii) in years ten through 12, less than or equal to 75 percent of the difference between the appropriate rate of duty as determined under Article 3.17.1 and the applicable tariff rate in the Schedule of Panama to Annex 3.3; and
  - (iii) in years 13 through 14, less than or equal to 50 percent of the difference between the appropriate rate of duty as determined under Article 3.17.1 and the applicable tariff rate in the Schedule of Panama to Annex 3.3.
- (c) For chicken leg quarters (bone-in) as listed in this Schedule:
  - (i) in years one through 13, less than or equal to 100 percent of the difference between the appropriate rate of duty as determined under Article 3.17.1 and the applicable tariff rate in the Schedule of Panama to Annex 3.3;
  - (ii) in years 14 through 15, less than or equal to 75 percent of the difference between the appropriate rate of duty as determined under Article 3.17.1 and the applicable tariff rate in the Schedule of Panama to Annex 3.3; and
  - (iii) in years 16 through 17, less than or equal to 50 percent of the difference between the appropriate rate of duty as determined under Article 3.17.1 and the applicable tariff rate in the Schedule of Panama to Annex 3.3.
- (d) For fluid milk, yogurt, butter, and other dairy products as listed in this Schedule:
  - (i) in years one through 11, less than or equal to 100 percent of the difference between the appropriate rate of duty as determined under Article 3.17.1 and the applicable tariff rate in the Schedule of Panama to Annex 3.3; and
  - (ii) in years 12 through 14, less than or equal to 50 percent of the difference between the appropriate rate of duty as determined under Article 3.17.1 and the applicable tariff rate in the Schedule of Panama to Annex 3.3.
- (e) For nonfat dry milk and other cheese as listed in this Schedule:
  - (i) in years one through 13, less than or equal to 100 percent of the difference between the appropriate rate of duty as determined under Article 3.17.1 and the applicable tariff rate in the Schedule of Panama to Annex 3.3; and

- (ii) in years 14 through 16, less than or equal to 50 percent of the difference between the appropriate rate of duty as determined under Article 3.17.1 and the applicable tariff rate in the Schedule of Panama to Annex 3.3.
- (f) For whole milk powder, cheddar cheese, and ice cream as listed in this Schedule:
  - (i) in years one through 12, less than or equal to 100 percent of the difference between the appropriate rate of duty as determined under Article 3.17.1 and the applicable tariff rate in the Schedule of Panama to Annex 3.3; and
  - (ii) in years 13 through 15, less than or equal to 50 percent of the difference between the appropriate rate of duty as determined under Article 3.17.1 and the applicable tariff rate in the Schedule of Panama to Annex 3.3.
- (g) For rough rice and milled rice as listed in this Schedule:
  - (i) in years one through 14, less than or equal to 100 percent of the difference between the appropriate rate of duty as determined under Article 3.17.1 and the applicable tariff rate in the Schedule of Panama to Annex 3.3;
  - (ii) in years 15 through 17, less than or equal to 75 percent of the difference between the appropriate rate of duty as determined under Article 3.17.1 and the applicable tariff rate in the Schedule of Panama to Annex 3.3; and
  - (iii) in years 18 through 19, less than or equal to 50 percent of the difference between the appropriate rate of duty as determined under Article 3.17.1 and the applicable tariff rate in the Schedule of Panama to Annex 3.3.
- (h) For refined corn oil as listed in this Schedule:
  - (i) in years one through six, less than or equal to 100 percent of the difference between the appropriate rate of duty as determined under Article 3.17.1 and the applicable tariff rate in the Schedule of Panama to Annex 3.3; and
  - (ii) in years seven through nine, less than or equal to 50 percent of the difference between the appropriate rate of duty as determined under Article 3.17.1 and the applicable tariff rate in the Schedule of Panama to Annex 3.3.

## Schedule of the United States

### *Subject Goods and Trigger Levels*

1. For purposes of paragraphs 1 and 2 of Article 3.17, originating goods that may be subject to an agricultural safeguard measure and the trigger level for each such good are set out below:

| <b>Good</b>                   | <b>Tariff Classification</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                         | <b>Trigger Level</b> | <b>Annual Compound Trigger Growth Rate</b> |
|-------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|--------------------------------------------|
| Beef                          | 02011050, 02012080, 02013080, 02021050, 02022080, 02023080                                                                                                                                                                                                                                                                                                                                                                                                                           | 330 MT               | 10%                                        |
| Condensed and Evaporated Milk | 04029170, 04029190, 04029945, 04029955                                                                                                                                                                                                                                                                                                                                                                                                                                               | 115% of TRQ          |                                            |
| Select Cheeses                | 04061018, 04061028, 04061038, 04061048, 04061058, 04061068, 04061078, 04062028, 04062033, 04062039, 04062048, 04062053, 04062063, 04062067, 04062071, 04062075, 04062079, 04062083, 04062087, 04063018, 04063028, 04063038, 04063048, 04063053, 04063063, 04063067, 04063071, 04063075, 04063079, 04063083, 04063087, 04064070, 04069012, 04069018, 04069032, 04069037, 04069042, 04069048, 04069054, 04069068, 04069074, 04069078, 04069084, 04069088, 04069092, 04069094, 19019036 | 115% of TRQ          |                                            |
| Other Cheeses                 | 04061008, 04061088, 04062091, 04063091, 04069097                                                                                                                                                                                                                                                                                                                                                                                                                                     | 115% of TRQ          |                                            |
| Ice Cream                     | 21050020                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | 115% of TRQ          |                                            |

### *Additional Import Duty*

2. For purposes of paragraph 3 of Article 3.17, the additional import duty shall be:

(a) For beef as listed in this Schedule:

- (i) in years one through six, less than or equal to 100 percent of the difference between the appropriate rate of duty as determined under Article 3.17.1 and the applicable tariff rate in the Schedule of the United States to Annex 3.3; and

- (ii) in years seven through 14, less than or equal to 50 percent of the difference between the appropriate rate of duty as determined under Article 3.17.1 and the applicable tariff rate in the Schedule of the United States to Annex 3.3.
- (b) For condensed and evaporated milk and select cheeses as listed in this Schedule:
  - (i) in years one through 13, less than or equal to 100 percent of the difference between the appropriate rate of duty as determined under Article 3.17.1 and the applicable tariff rate in the Schedule of the United States to Annex 3.3; and
  - (ii) in years 14 through 16, less than or equal to 50 percent of the difference between the appropriate rate of duty as determined under Article 3.17.1 and the applicable tariff rate in the Schedule of the United States to Annex 3.3.
- (c) For other cheeses and ice cream as listed in this Schedule:
  - (i) in years one through 11, less than or equal to 100 percent of the difference between the appropriate rate of duty as determined under Article 3.17.1 and the applicable tariff rate in the Schedule of the United States to Annex 3.3; and
  - (ii) in years 12 through 14, less than or equal to 50 percent of the difference between the appropriate rate of duty as determined under Article 3.17.1 and the applicable tariff rate in the Schedule of the United States to Annex 3.3.

### Annex 3.25

#### List of Fabrics, Yarns, and Fibers Not Available in Commercial Quantities

|    |                                                                                                                                                                                                                                                                                                                                                                   |
|----|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1  | Velveteen fabrics classified in subheading 5801.23.                                                                                                                                                                                                                                                                                                               |
| 2  | Corduroy fabrics classified in subheading 5801.22, containing 85 percent or more by weight of cotton and containing more than 7.5 wales per centimeter.                                                                                                                                                                                                           |
| 3  | Fabrics classified in subheading 5111.11 or 5111.19, if hand-woven, with a loom width of less than 76 centimeters, woven in the United Kingdom in accordance with the rules and regulations of the Harris Tweed Association, Ltd., and so certified by the Association.                                                                                           |
| 4  | Fabrics classified in subheading 5112.30, weighing not more than 340 grams per square meter, containing wool, not less than 20 percent by weight of fine animal hair and not less than 15 percent by weight of man-made staple fibers.                                                                                                                            |
| 5  | Batiste fabrics classified in subheading 5513.11 or 5513.21, of square construction, of single yarns exceeding 76 metric count, containing between 60 and 70 warp ends and filling picks per square centimeter, of a weight not exceeding 110 grams per square meter.                                                                                             |
| 6  | Fabrics classified in subheading 5208.21, 5208.22, 5208.29, 5208.31, 5208.32, 5208.39, 5208.41, 5208.42, 5208.49, 5208.51, 5208.52, or 5208.59, of average yarn number exceeding 135 metric.                                                                                                                                                                      |
| 7  | Fabrics classified in subheading 5513.11 or 5513.21, not of square construction, containing more than 70 warp ends and filling picks per square centimeter, of average yarn number exceeding 70 metric.                                                                                                                                                           |
| 8  | Fabrics classified in subheading 5210.21 or 5210.31, not of square construction, containing more than 70 warp ends and filling picks per square centimeter, of average yarn number exceeding 70 metric.                                                                                                                                                           |
| 9  | Fabrics classified in subheading 5208.22 or 5208.32, not of square construction, containing more than 75 warp ends and filling picks per square centimeter, of average yarn number exceeding 65 metric.                                                                                                                                                           |
| 10 | Fabrics classified in subheading 5407.81, 5407.82, or 5407.83, weighing less than 170 grams per square meter, having a dobby weave created by a dobby attachment.                                                                                                                                                                                                 |
| 11 | Fabrics classified in subheading 5208.42 or 5208.49, not of square construction, containing more than 85 warp ends and filling picks per square centimeter, of average yarn number exceeding 85 metric.                                                                                                                                                           |
| 12 | Fabrics classified in subheading 5208.51, of square construction, containing more than 75 warp ends and filling picks per square centimeter, made with single yarns, of average yarn number equal to or exceeding 95 metric.                                                                                                                                      |
| 13 | Fabrics classified in subheading 5208.41, of square construction, with a gingham pattern, containing more than 85 warp ends and filling picks per square centimeter, made with single yarns, of average yarn number equal to or exceeding 95 metric, and characterized by a check effect produced by the variation in color of the yarns in the warp and filling. |
| 14 | Fabrics classified in subheading 5208.41, with the warp colored with vegetable dyes, and the filling yarns white or colored with vegetable dyes, of average yarn number exceeding 65 metric.                                                                                                                                                                      |

|    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|----|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 15 | Circular knit fabric, wholly of cotton yarns, exceeding 100 metric number per single yarn, classified in tariff item 6006.21.aa, 6006.22.aa, 6006.23.aa, or 6006.24.aa.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| 16 | 100 percent polyester crushed panne velour fabric of circular knit construction classified in tariff item 6001.92.aa.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| 17 | Viscose rayon yarns classified in subheading 5403.31 or 5403.32.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| 18 | Yarn of combed cashmere, combed cashmere blends, or combed camel hair classified in tariff item 5108.20.aa.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| 19 | Two elastomeric fabrics used in waistbands, classified in tariff item 5903.90.bb: (1) a knitted outer-fusible material with a fold line that is knitted into the fabric. The fabric is a 45 millimeter wide base substrate, knitted in narrow width, synthetic fiber based (made of 49 percent polyester/43 percent elastomeric filament/8 percent nylon with a weight of 4.4 ounces, a 110/110 stretch, and a dull yarn), stretch elastomeric material with an adhesive (thermoplastic resin) coating. The 45-millimeter width is divided as follows: 34-millimeter solid, followed by a 3-millimeter seam allowing it to fold over, followed by 8 millimeters of solid; (2) a knitted inner-fusible material with an adhesive (thermoplastic resin) coating that is applied after going through a finishing process to remove all shrinkage from the product. The fabric is a 40-millimeter synthetic fiber based, stretch elastomeric fusible consisting of 80 percent nylon type 6 and 20 percent elastomeric filament with a weight of 4.4 ounces, a 110/110 stretch, and a dull yarn. |
| 20 | Fabrics classified in subheading 5210.21 or 5210.31, not of square construction, containing more than 70 warp ends and filling picks per square centimeter, of average yarn number exceeding 135 metric.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| 21 | Fabrics classified in subheading 5208.22 or 5208.32, not of square construction, containing more than 75 warp ends and filling picks per square centimeter, of average yarn number exceeding 135 metric.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| 22 | Fabrics classified in subheading 5407.81, 5407.82, or 5407.83, weighing less than 170 grams per square meter, having a dobby weave created by a dobby attachment of average yarn number exceeding 135 metric.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| 23 | Cuprammonium rayon filament yarn classified in subheading 5403.39.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| 24 | Fabrics classified in subheading 5208.42 or 5208.49, not of square construction, containing more than 85 warp ends and filling picks per square centimeter, of average yarn number exceeding 85 metric, of average yarn number exceeding 135 metric if the fabric is Oxford construction.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| 25 | Single ring-spun yarn of yarn numbers 51 and 85 metric, containing 50 percent or more, but less than 85 percent, by weight of 0.9 denier or finer micro modal fiber, mixed solely with U.S. origin extra long pima cotton, classified in subheading 5510.30.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| 26 | Tow of viscose rayon classified in heading 55.02.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| 27 | 100 percent cotton woven flannel fabrics, single ring-spun yarns of different colors, of yarn numbers 21 through 36 metric, classified in tariff item 5208.43.aa, of 2 x 2 twill weave construction, weighing not more than 200 grams per square meter.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |

|    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|----|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 28 | Fabrics classified in the following tariff items of average yarn number exceeding 93 metric: 5208.21.aa, 5208.22.aa, 5208.29.aa, 5208.31.aa, 5208.32.aa, 5208.39.aa, 5208.41.aa, 5208.42.aa, 5208.49.aa, 5208.51.aa, 5208.52.aa, 5208.59.aa, 5210.21.aa, 5210.29.aa, 5210.31.aa, 5210.39.aa, 5210.41.aa, 5210.49.aa, 5210.51.aa, or 5210.59.aa.                                                                                                                                                                                                                   |
| 29 | Certain yarns of carded cashmere or of carded camel hair, classified in tariff item 5108.10.aa, used to produce woven fabrics classified in subheading 5111.11 or 5111.19.                                                                                                                                                                                                                                                                                                                                                                                        |
| 30 | Acid-dyeable acrylic tow classified in subheading 5501.30, for production of yarn classified in subheading 5509.31.                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| 31 | Untextured flat yarns of nylon classified in tariff item 5402.41.aa. The yarns are described as: (1) of nylon, 7 denier/5 filament nylon 66 untextured (flat) semi-dull yarn; multifilament, untwisted or with a twist not exceeding 50 turns/meter; (2) of nylon, 10 denier/7 filament nylon 66 untextured (flat) semi-dull yarn; multifilament, untwisted or with a twist not exceeding 50 turns/meter; or (3) of nylon, 12 denier/5 filament nylon 66 untextured (flat) semi-dull yarn; multifilament, untwisted or with a twist not exceeding 50 turns/meter. |
| 32 | Woven fabric classified in tariff item 5515.13.aa, combed of polyester staple fibers mixed with wool, and containing less than 36 percent by weight of wool.                                                                                                                                                                                                                                                                                                                                                                                                      |
| 33 | Knitted fabric of 85 percent spun silk/15 percent wool (210 grams per square meter), classified in tariff item 6006.90.aa.                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| 34 | Woven fabrics classified in subheading 5512.99, containing 100 percent by weight of synthetic staple fibers, not of square construction, of average yarn number exceeding 55 metric.                                                                                                                                                                                                                                                                                                                                                                              |
| 35 | Woven fabrics classified in subheadings 5512.21 or 5512.29, of 100 percent acrylic fibers, of average yarn number exceeding 55 metric.                                                                                                                                                                                                                                                                                                                                                                                                                            |
| 36 | Rayon filament sewing thread, classified in subheading 5401.20.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| 37 | Poplin, ring spun, woven fabric of 97 percent cotton, 3 percent Lycra, classified in tariff item 5208.32.bb.                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| 38 | Polyester/Nylon/Spandex Synthetic Tri-blend (74/22/4 percent) woven fabric, classified in tariff item 5512.99.aa.                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| 39 | Two-way stretch woven fabric of polyester/rayon/spandex (62/32/6 percent), classified in tariff item 5515.19.aa.                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| 40 | Two-way stretch woven fabric of polyester/rayon/spandex (71/23/6 percent), classified in tariff item 5515.19.aa.                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| 41 | Dyed rayon blend (70 percent rayon/30 percent polyester) herringbone twill fabric, classified in subheading 5516.92, weighing more than 200 grams per square meter.                                                                                                                                                                                                                                                                                                                                                                                               |
| 42 | Printed 100 percent rayon herringbone fabric, classified in subheading 5516.14, weighing more than 200 grams per square meter.                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| 43 | Leaver's Lace classified in subheading 5804.21 or 5804.29.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |

**Note:** This list shall remain in effect until the United States publishes a replacement list that, in accordance with Article 3.25.4 or 3.25.5, makes changes to the list. Any replacement list shall supersede this list and any prior replacement list, and the United States shall publish the replacement list at the same time that the United States makes a determination pursuant to Article 3.25.4, and six months after the United States makes a determination pursuant to Article

3.25.5. The United States shall transmit a copy of any replacement list to Panama at the time it publishes the list.

### Annex 3.30

#### Textile or Apparel Goods Not Covered by Section G

| HS No.                                 | Product Description                                                                                                                 |
|----------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------|
| 3005.90                                | Wadding, gauze, bandages, and the like                                                                                              |
| ex 3921.12<br>ex 3921.13<br>ex 3921.90 | Woven, knitted, or non-woven fabrics coated, covered, or laminated with plastics                                                    |
| ex 6405.20                             | Footwear with soles and uppers of wool felt                                                                                         |
| ex 6406.10                             | Footwear uppers of which 50 percent or more of the external surface area is textile material                                        |
| ex 6406.99                             | Leg warmers and gaiters of textile material                                                                                         |
| 6501.00                                | Hat forms, hat bodies, and hoods of felt; plateaux and manchons of felt                                                             |
| 6502.00                                | Hat shapes, plaited or made by assembling strips of any material                                                                    |
| 6503.00                                | Felt hats and other felt headgear                                                                                                   |
| 6504.00                                | Hats and other headgear, plaited or made by assembling strips of any material                                                       |
| 6505.90                                | Hats and other headgear, knitted or made up from lace or other textile material                                                     |
| 8708.21                                | Safety seat belts for motor vehicles                                                                                                |
| 8804.00                                | Parachutes; their parts and accessories                                                                                             |
| 9113.90                                | Watch straps, bands, and bracelets of textile materials                                                                             |
| 9502.91                                | Garments for dolls                                                                                                                  |
| ex 9612.10                             | Woven ribbons of man-made fibers, other than those measuring less than 30 millimeters in width and permanently put up in cartridges |

**Note:** Whether or not a textile or apparel good is covered by this Section shall be determined in accordance with the Harmonized System. The descriptions provided in this Annex are for reference purposes only.