

Chapter One
Initial Provisions

Article 1.1: Establishment of a Free Trade Area

The Parties to this Agreement, consistent with Article XXIV of the *General Agreement on Tariffs and Trade 1994* and Article V of the *General Agreement on Trade in Services*, hereby establish a free trade area.

Article 1.2: Objectives

1. The objectives of this Agreement, as elaborated more specifically through its principles and rules, including national treatment, most-favored-nation treatment, and transparency, are to:
 - (a) encourage expansion and diversification of trade between the Parties;
 - (b) eliminate barriers to trade in, and facilitate the cross-border movement of, goods and services between the territories of the Parties;
 - (c) promote conditions of fair competition in the free trade area;
 - (d) substantially increase investment opportunities in the territories of the Parties;
 - (e) provide adequate and effective protection and enforcement of intellectual property rights in each Party's territory;
 - (f) create effective procedures for the implementation and application of this Agreement, for its joint administration, and for the resolution of disputes; and
 - (g) establish a framework for further bilateral, regional, and multilateral cooperation to expand and enhance the benefits of this Agreement.
2. The Parties shall interpret and apply the provisions of this Agreement in the light of its objectives set out in paragraph 1 and in accordance with applicable rules of international law.

Article 1.3: Relation to Other Agreements

1. The Parties affirm their existing rights and obligations with respect to each other under the WTO Agreement and other agreements to which the Parties are party.
2. Articles VII and VIII of the Treaty Between the United States of America and the Republic of Panama Concerning the Treatment and Protection of Investments, with Annex and Agreed Minutes, signed at Washington on October 27, 1982 (the "Treaty") shall be suspended on the date of entry into force of this Agreement.

3. Notwithstanding paragraph 2,
 - (a) for a period of ten years beginning on the date of entry into force of this Agreement, Articles VII and VIII of the Treaty shall not be suspended:
 - (i) in the case of investments covered by the Treaty as of the date of entry into force of this Agreement; or
 - (ii) in the case of a dispute that arose prior to the date of entry into force of this Agreement and that is otherwise eligible to be submitted for settlement under Article VII or VIII of the Treaty; and
 - (b) Article VII of the Treaty shall not be suspended in the case of a dispute that arises on or after the date of entry into force of this Agreement out of an investment agreement that was in effect before the date of entry into force of this Agreement, that is otherwise eligible to be submitted for settlement under Article VII of the Treaty.
4. In the event either Party terminates this Agreement in accordance with Article 22.5 (Entry into Force and Termination), Articles VII and VIII of the Treaty, to the extent suspended, shall automatically resume operation and shall continue in full force and effect as provided therein.

Article 1.4: Extent of Obligations

The Parties shall ensure that all necessary measures are taken in order to give effect to the provisions of this Agreement, including their observance, except as otherwise provided in this Agreement, by state governments.