



May 29, 2008

The Honourable
Mercedes Araoz
Minister of Foreign Trade and Tourism
Republic of Peru

Dear Minister Araoz:

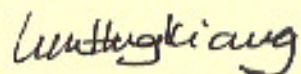
I have the honour to refer to the Free Trade Agreement between the Government of the Republic of Peru and the Government of the Republic of Singapore ("the Agreement") signed at Lima on May 29, 2008.

Resulting from the above Agreement, I have the honour of confirming the understanding of both Parties that in relation to Chapter 2 (Trade in Goods) of the Agreement:

- a. Singapore has five Free Trade Zones and no Special Economic Zone. Four of these Free Trade Zones were set up to handle and facilitate the import/export/transshipment of goods at the Singapore ports. The remaining Free Trade Zone is to handle and facilitate the import/export/transshipment of goods by air at the Singapore Changi Airport. No manufacturing operations for export purposes are carried out in all Free Trade Zones.
- b. The purpose of the Free Trade Zones in Singapore is to house the activities to facilitate the import, export and transshipment trade of Singapore. All goods imported into Singapore or exported from Singapore, by sea or air, have to pass through one of these Free Trade Zones
- c. Even if there is no manufacturing operation in the Singapore Free Trade Zones, this does not preclude Singapore from having such activities in the future. If there is any manufacturing operation in the Free Trade Zone, Singapore does not discriminate for or against these companies, vis-à-vis companies located outside of the Free Trade Zones.
- d. A Party may deny preferential treatment to goods manufactured in Free Trade Zones with preferential income taxes or subsidies, as defined under the WTO Subsidies and Countervailing Measures Agreement, from the government to such companies that are different from and better than those given outside the Free Trade Zones.

I would be grateful if you would confirm that the understanding of my Government as stated above is shared by your Government and that this understanding shall be treated as an integral part of the Agreement.

Sincerely,

Handwritten signature of Lim Hng Kiang in black ink.

Lim Hng Kiang
Minister for Trade and Industry
Republic of Singapore