

AIR SERVICES AGREEMENT

BETWEEN

THE STATE OF KUWAIT

AND

THE REPUBLIC OF ICELAND

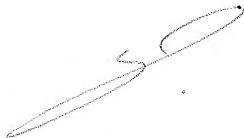
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The State of Kuwait and the of the Republic of Iceland hereinafter called the Contracting Parties.

Desiring to foster the development of Air Services between the State of Kuwait and the Republic of Iceland, and to promote in the greatest possible measure international co-operation in this field.

Desiring to apply to these services the principles and provisions of the Convention on International Civil Aviation and of the International Air Services Transit Agreement opened for signature at Chicago on the seventh day of December 1944.

Have agreed as follows:

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Article 1

Definitions

For the purpose of this Agreement, unless the text otherwise requires:-

- a) **«The Convention»** means the Convention on International Civil Aviation opened for signature at Chicago on the seventh day of December 1944, and includes any annex adopted under Article 90 of that Convention and any amendment of the Annexes or Convention under Article 90 and 94 thereof so far as these Annexes and amendments have been adopted by both Contracting Parties.
- b) **«Agreement»** means this Agreement, the Annex attached thereto, and any modifications to the Agreement or to the Annex;
- c) **«Aeronautical Authorities»** means in the case of the State of Kuwait, the Directorate General of Civil Aviation, in the case of the Republic of Iceland the Ministry of Transport, Tourism and Telecommunications or in both cases any other person or agency authorized to perform the functions exercised by the said authorities;
- d) **«Designated Airline»** means any airline that one Contracting Party has designated in writing to the other Contracting Party in accordance with Article 3 of this Agreement as being an airline which is to operate the agreed air services on the routes specified in accordance with Article 2 of this Agreement;
- e) **«Territory», «Air Service», «International Air Service» And «Stop For Non Traffic Purpose»** shall for the purpose of this Agreement, have the meaning laid down in Articles 2 and 96 of the Convention:
- f) **«Capacity»** means:-
 - I) in relation to an aircraft, the payload of that aircraft available on a route or a section of a route.
 - II) in relation to a specified air service, the capacity of the aircraft used on such service multiplied by the frequency operated by such aircraft over a given period on a route or a section of a route.



- g) **«Tariff»** means the prices to be paid for the carriage of passengers, baggage and freight and the conditions under which those prices apply, including prices and conditions for agency and other auxiliary services, but excluding remuneration or conditions for the carriage of mail;
- h) **"Full cost"** means the cost of providing service plus a reasonable charge for administrative overhead;
- i) **«Schedule»** means the route schedule annexed to this Agreement or as amended in accordance with the provisions of paragraph (3) of Article 17 of this Agreement. The Schedule forms an integral part of this Agreement and all references to the Agreement shall include reference to the Schedule except where otherwise provided.
- j) **«User Charge»** means a charge made to airlines for the provision of airport, air navigation or aviation security property, or facilities.
- k) **"European Economic Area"** means the enhanced free trade area established by the Agreement on the European Economic Area, done at Oporto on 2 May 1992, between the European Community and its Member States on the one hand and the Economic Free Trade Association States with the exclusion of Switzerland on the other hand. EFTA is an abbreviation for the European Free Trade Association of which Iceland is a Member State;



Article 2

Granting Of Rights And Privileges

- 1) Each Contracting Party grants to the other Contracting Party the rights specified in this Agreement to enable its designated airline to establish and operate international air services on the routes specified in the appropriate section of the Schedule thereto (hereinafter called «**Agreed Services**» and «**Specified Routes**» respectively).
- 2) Subject to the provisions of this Agreement, the designated airline of each Contracting Party shall enjoy, while operating an agreed service on a specified route, the following privileges:
 - a) to fly without landing across the territory of the other Contracting Party,
 - b) to make stops in the said territory for non-traffic purpose, and
 - c) to make stops in the said territory at the point or points specified for that route in the Schedule for the purpose of discharging and of taking on international traffic in passengers, mail, cargo and the rights otherwise specified in this Agreement.
- 3) Nothing in paragraph 1 of this Article shall be deemed to confer on a designated airline of one Contracting Party the privilege of taking up, in the territory of the other Contracting Party, passengers, cargo and mail carried for remuneration or hire and destined for another point in the territory of that other Contracting Party.

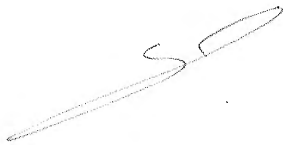


Article 3
Designation And Authorisation

- (1) Each Contracting Party shall have the right to designate in writing to the other Contracting Party an airline or airlines for the purpose of operating the agreed services on the specified routes and to withdraw the designation of any airline or to substitute another airline for one previously designated.
- (2) Such designation shall be effected by virtue of written notification between the aeronautical authorities of both Contracting Parties, confirmed by the exchange of diplomatic notes.
- (3) The airline or airlines designated by either Contracting Party may be required to satisfy the other Contracting Party that it is qualified to fulfill the conditions prescribed by the laws and regulations normally and reasonably applied by this Contracting Party to the operation of international air services in conformity with the provisions of the Convention.
- (4) On receipt of such designation the aeronautical authorities of the other Contracting Party shall grant the appropriate authorizations and permissions with minimum procedural delay, provided:
 - (a) in the case of an airline designated by the Republic of Iceland:
 - (i) it is established in the territory of Republic of Iceland under the Treaty establishing the European Community and has a valid Operating License in accordance with European Community law, and
 - (ii) effective regulatory control of the airline is exercised and maintained by the European Community Member State or the European Economic Area and European Free Trade Area State responsible for issuing its Air Operator's Certificate, and the relevant aeronautical authority is clearly identified in the designation



- (b) In the case of an airline designated by the of the State of Kuwait:
- (i) the airline is established in the territory of the State of Kuwait and has a valid Operating License in accordance with Kuwaiti law; and
 - (ii) the State of Kuwait exercises and maintains effective regulatory control of the airline and is responsible for issuing its Air Operator's Certificate. the aeronautical authority is clearly identified in the designation and
- (5) When an airline has been so designated and authorised in accordance with this Article, it may at any time begin to operate the agreed services, in accordance with the provisions of the present Agreement.



Article 4
Revocation, Limitation And Imposition Of Conditions

- 1) Each Contracting Party shall have the right to refuse to grant or to revoke an operating authorization, suspend the exercise of the rights granted in this Agreement to an airline designated by the other Contracting Party, or impose such conditions on the exercise of these rights as it may deem necessary where:
 - (a) In the case of an airline designated by the Republic of Iceland:
 - (i) the airline is not established in the territory of Iceland under the Treaty establishing the European Community or in accordance with the Agreement on the European Economic Area, or does not have a valid Operating License in accordance with the European Community law, or in accordance with national law adopted in accordance with the Agreement on the European Economic Area; or
 - (ii) effective regulatory control of the airline is not exercised or not maintained by the European Community Member State or European Economic Area responsible for issuing its Air Operator's Certificate, or the relevant Aeronautical Authority is not clearly identified in the designation; or
 - (iii) the airline is already authorised to operate under a bilateral Agreement between the State of Kuwait and another EC Member State and the State of Kuwait can demonstrate that, by exercising traffic rights under this Agreement on a route that includes a point that other EC Member State or the European Economic Area European Free Trade Association State, the airline would be circumventing restrictions on traffic rights imposed by a bilateral Agreement between the State of Kuwait and that other member state; or
 - (iv) the airline holds an Air Operator's Certificate issued by a EC Member State or the European Economic Area European Free Trade Area State and there is no bilateral Air Services Agreement between the State of Kuwait and that EC Member State or the European Economic Area Economic Free Trade Association States, and that EC Member State or the European Economic Association EFTA State has denied traffic rights to the airlines designated by the State of Kuwait.



(b) In the case of an airline designated by the State of Kuwait:

(i) the airline is not established in the territory of the State of Kuwait or is not licensed in accordance with the applicable law of Kuwait ; or

(ii) the State of Kuwait is not exercising or not maintaining effective regulatory control of the airline.

(c) in any case where the airline fails to comply with the laws or regulations of the Contracting Party granting those privileges or otherwise fails to operate in accordance with the conditions prescribed in this Agreement, especially with Articles on Aviation Safety and Security, provided that immediate suspension or imposition of conditions is considered necessary to prevent further infringement of laws or regulations or is in the interest of aviation safety, this right shall be exercised only after consultation with the other Contracting Party.

2) the event of action by one Contracting Party under this Article, the other rights of both Contracting Parties shall not be prejudiced. In



Article 5
Airports And Facility Charges

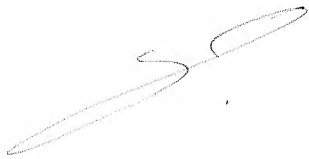
Each of the Contracting Parties may impose or permit to be imposed just and reasonable charges for the use of airports and other facilities under its control.

The charges imposed in the territory of either Contracting Party for the use of airports and other aviation facilities on the aircraft of the designated airline of the other Contracting Party shall not be higher than those imposed on aircraft of the national airline engaged in similar international air services.



Article 6
Approval of Flight Schedules

- 1) The designated airlines shall communicate to the Aeronautical Authorities of the Contracting Parties not later than thirty days prior to the initiation of the agreed services on the specified routes in accordance with Article 2 of this Agreement, the type of service, the types of aircraft to be used and the flight schedules. This shall likewise apply to later changes as well as before each summer and winter schedule.
- 2) The Aeronautical Authorities receiving such flight schedules shall normally approve the schedules or suggest modifications thereto. In any case the designated airlines shall not commence their services before the schedules are approved by the Aeronautical Authorities concerned. This provision shall likewise apply to later changes.



Article 7
Information And Statistics

The Aeronautical Authorities of either Contracting Party shall furnish to the Aeronautical Authorities of the other Contracting Party at their request such periodic or other statistical data as may be reasonably required for the purpose of reviewing the capacity provided by the designated airline(s) of the first Contracting Party on the specified routes in accordance with Article 2 of this Agreement. Such data shall include all information required to determine the amount of traffic carried.



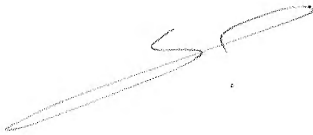
Article 8
Entry And Clearance Regulations

- 1) The laws, rules and regulations in force at one Contracting Party relating to entry into or departure from its territory of passengers, crew, cargo and mail of aircraft (such as regulation relating to entry, clearance, immigration, passports, customs and quarantine) shall be applicable to the passengers, crew, cargo and mail of the aircraft of an airline designated by the other Contracting Party while in the territory of the first Contracting Party.
- 2) The laws and regulations of a Contracting Party relating to the admission to, stay in, or departure from its territory of aircraft engaged in international air navigation, or to the operation and navigation of such aircraft while within its territory, shall be applied to the aircraft of both Contracting Parties without distinction as to nationality, and shall be complied with by such aircraft upon entering or departing from or while within the territory of that Contracting Party.
- 3) Passengers, baggage, cargo and mail in transit across the territory of a Contracting Party shall be subject to applicable customs and/or immigration control. Baggage, cargo and mail shall be exempted from costumes duties, inspection fees and other national duties and charges if in direct transit.
- 4) Neither Party shall give preference to its own or any other airline over a designated airline of the other Party engaged in similar international air services in the application of its immigration, customs, quarantine and similar regulations.



Article 9
Establishment of Tariffs

- 1) The tariffs in respect of international air services operated to/from/through the territories of the two Contracting parties shall be established by the designated airlines at reasonable levels, due regard being paid to all relevant factors, including cost of operation and reasonable profit.
- 2) The Tariffs established under paragraph 1 shall be required to be filed by the designated airlines of one Contracting Party with the aeronautical authorities of the other Contracting Party. Notwithstanding the foregoing, each Contracting Party shall have the right to intervene so as to:
 - a. prevent unreasonably discriminatory prices or practices;
 - b. protect consumers from prices that are unreasonably high or restrictive due to the abuse of a dominant position; and
 - c. protect airlines from prices that are artificially low, or where evidence exists as to an intent to eliminate competition.
- 3) Notwithstanding the foregoing, the designated airlines of one Contracting Party shall provide, on request, to the aeronautical authorities of the other Contracting Party information relating to the establishment of the tariffs, in a manner and format as specified by such authorities.



Article 10
Exemption From Customs And Other Duties

- 1) Aircraft operated on international air services by the designated airline(s) of one Contracting Party, as well as their regular equipment, spare parts, supplies of fuels and lubricants and aircraft stores (including food, beverages and tobacco) on board such aircraft shall be exempt from all customs duties, inspection fees and other duties or taxes on arriving in the territory of the other Contracting Party, provided such equipment and supplies remain on board the aircraft up to such time as they are re-exported.
- 2) Supplies of fuels, lubricants, spare parts, regular equipment and aircraft stores introduced in the territory of each Contracting Party or on behalf of the designated airline(s) of the other Contracting Party or taken on board the aircraft operated by such designated airline(s) and intended solely for use in the operation of international air services shall be exempt from all national duties and charges, including customs duties and inspection fees imposed in the territory of the first Contracting Party, even when those supplies are to be used on the parts of the journey performed over the territory of the Contracting Party in which they are taken on board. The materials referred to above may be required to be kept under customs supervision or control.
- 3) The regular airborne equipment, spare parts, aircraft stores and supplies of fuels and lubricants retained on board the aircraft of either Contracting Party may be unloaded in the territory of the other Contracting Party only with the approval of the customs authorities of that Contracting Party, who may require that those materials be placed under their supervision up to such time as they are re-exported or otherwise disposed of in accordance with customs regulations.
- 4) Moveable properties of the designated airline(s) of one Contracting Party such as office equipment, stationery, travel documents including airline tickets, airway bills as well as publicity material and give-away items, introduced in the territory of the other Contracting Party shall be exempt from all customs duties, inspection fees and other duties or taxes.



Article 11

Financial Provisions

- 1) Either Contracting Party undertakes to grant the designated airline(s) of the other Contracting Party the right of free transfer, at the official rate of exchange at the time of the request, of the excess of receipts over expenditure achieved in its territory in connection with the carriage of passengers, baggage, mail shipments and freight by the designated airline(s) of the other Contracting Party. Whenever the payments system between the Contracting Parties is governed by a special agreement that agreement shall apply.
- 2) The designated airline(s) of each of the Contracting Parties shall be exempt from income tax or other similar taxes in the territory of the other Contracting Party in respect of the gains or profits accruing to it from the operation of the agreed services.



Article 12
Technical And Commercial Representation

- 1) The designated airline(s) of one Contracting Party shall have the right to maintain its own representation in the territory of the other Contracting Party.
- 2) The designated airline(s) of one Contracting Party may, in accordance with the laws and regulations of the other Party relating to entry, residence and employment bring in and maintain in the territory of the other Contracting Party managerial, commercial, technical, operational and other specialist staff required for the provision of air services.
- 3) In accordance with national laws and regulations applicable at each Contracting Party and on a reciprocal and non discriminatory basis, the designated airlines shall have the right to engage in the sale of air transportation, in the territory of the other Contracting Party, in any currency, directly or through its agents and any person shall be able to purchase such transportation.
- 4) In case of nomination of a general agent or general sales agent, this agent shall be appointed in accordance with the relevant applicable laws and regulations of each Contracting Party.
- 5) The airlines of each Party shall be permitted to pay for local expenses, including purchases of fuel, in the territory of the other Party in local currency. At their discretion, the airlines of each Party may pay for such expenses in the territory of the other Party in freely convertible currencies according to local currency regulation.



Article 13
Capacity Provisions

- 1) There shall be fair and equal opportunity for the designated airline of each Contracting Party to operate air services on any route specified in accordance with paragraph (1) of Article 2 of this Agreement between their respective territories.
- 2) The agreed air services provided by a designated airline shall retain as their primary objective the provisions of capacity adequate to current and reasonably anticipated requirements for the carriage of passengers, mail and cargo, originating from or destined for the territory of the Contracting Party designating the airline. The right of the designated airline of either Contracting Party to embark or disembark at the point in the territory of the other Contracting Party international traffic destined for or coming from third countries shall be in accordance with the principles that such traffic will be of a supplementary character and capacity shall be related to:
 - a) traffic demands between the territory of the Contracting Party designating the airline and the points on the specified routes;
 - b) traffic requirements of the areas through which the airline passes for the economic operation of the route;
 - c) the requirements of through airline operation.
- 3) Each Party shall allow each designated airline to determine the frequency and capacity of the international air services it offers based upon commercial considerations in the marketplace. Consistent with this right, neither Party shall unilaterally limit the volume of traffic, frequency or regularity of service, or the aircraft type or types operated by the designated airlines of the other Party.



Article 14

Aviation Safety

- 1) Each Contracting Party may request consultations at any time concerning safety standards in any area relating to aircrew, aircraft or their operation adopted by the other Contracting Party. Such consultations shall take place within 30 days of that request.
- 2) If following such consultations, one Contracting Party finds that the other Contracting Party does not effectively maintain and administer safety standards in any such area that are at least equal to the minimum standards established at that time pursuant to the Convention, the first Contracting Party shall notify the other Contracting Party of those findings and the steps considered necessary to conform with those minimum standards and that other Contracting Party shall take appropriate corrective action. Failure by the other Contracting Party to take appropriate action within 15 days or such longer period as may be agreed shall be grounds for the application of Article 4 of this Agreement.
- 3) Notwithstanding the obligations mentioned in Article 33 of the Convention it is agreed that any aircraft operated by the airline or airlines of one Contracting Party on services to or from the territory of the other Contracting Party may, while within the territory of the other Contracting Party, be made the subject of an examination by the authorised representatives of the other Contracting Party, on board and around the aircraft to check both the validity of the aircraft documents and those of its crew and the apparent condition of the aircraft and its equipment (in this Article called "ramp inspection"), provided this does not lead to unreasonable delay.
- 4) If any ramp inspection or series of ramp inspections gives rise to:
 - a) serious concerns that an aircraft or the operation of an aircraft does not comply with the minimum standards established at that time pursuant to the Convention, or
 - b) serious concerns that there is a lack of effective maintenance and administration of safety standards established at that time pursuant to the Convention.



The Contracting Party carrying out the inspection shall, for the purposes of Article 33 of the Convention, be free to conclude that the requirements under which the certificate or licenses in respect of that aircraft or in respect of the crew of that aircraft had been issued or rendered valid, or that the requirements under which that aircraft is operated, are not equal to or above the minimum standards established pursuant to the Convention.

- 5) In the event that access for the purpose of undertaking a ramp inspection of an aircraft operated by the airline(s) of one Contracting Party in accordance with paragraph 3 of this Article above is denied by the representative of that airline, the other Contracting Party shall be free to infer that serious concerns of the type referred to in paragraph 4 of this Article above arise and draw the conclusions referred in that paragraph.
- 6) Each Contracting Party reserves the right to suspend or vary the operating authorization of an airline of the other Contracting Party immediately in the event the first Contracting Party concludes, whether as a result of a ramp inspection, a series of ramp inspections, a denial of access for ramp inspection, consultation or otherwise, that immediate action is essential to the safety of an airline operation.
- 7) Any action by one Contracting Party in accordance with paragraphs 2 or 6 of this Article above shall be discontinued once the basis for the taking of that action ceases to exist.
- 8) When Iceland has designated an airline whose regulatory control is exercised and maintained by another Member State of the European Community or a European Economic Area and European Free Trade Area State, the rights of the other Contracting Party under this Article shall apply equally in respect of the adoption, exercise or maintenance of safety standards by that other Member State of the European Community or a European Economic Area European Free Trade Area State and in respect of the operating authorization of that airline.



Article 15

Certificates and Licenses

Certificates of airworthiness, certificates of competency and licenses issued or rendered valid in accordance with the laws and regulations of one Contracting Party, including in the case of the Republic of Iceland and regulations of the European Community or a European Economic Area and European Free Trade Area State and unexpired, shall be recognized as valid by the other Contracting Party for the purpose of operating services provided for in this Agreement, provided that the requirements under which such certificates or licenses were issued or rendered valid are equal to or above the minimum standards which are or may be established pursuant to the Convention.



Article 16

Aviation Security

- 1) The Contracting Parties reaffirm, consistent with their rights and obligations under international law, that their obligations to each other to protect the security of civil aviation against acts of unlawful interface form an integral part of this Agreement. Without limiting the generality of their rights and obligations under international law, the Contracting Parties shall in particular act in conformity with the provisions of the Convention on Offences and Certain Other Acts Committed on Board Aircraft, signed at Tokyo on 14 September 1963, the Convention for the Suppression of Unlawful Seizure of Aircraft, signed at The Hague on 16 December 1970, the Convention for the Suppression of Unlawful Acts against the Safety of Civil Aviation, signed at Montreal on 23 September 1971, its Supplementary Protocol for the Suppression of Unlawful Acts of Violence at Airports Serving International Civil Aviation signed at Montreal on 24 February 1988, the Convention on Marking of Plastic Explosives for the purpose of Detection, done at Montreal on 1 March 1991 and any other convention on aviation security to which the Contracting Parties shall become party.
- 2) The Contracting Parties shall provide upon request all necessary assistance to each other to prevent acts of unlawful seizure of civil aircraft and other unlawful acts against the safety of such aircraft, their passengers and crew, airports and air navigation facilities, and any other threat to the security of civil aviation.
- 3) The Contracting Parties shall, in their mutual relations, act in conformity with the aviation standards and, so far as they are applied by them, the Recommended Practices established by the International Civil Aviation Organization and designated as Annexes to the Convention and shall require that operators of aircraft of their registry, operators who have their principal place of business or permanent residence in the territory of the Contracting Parties or, in the case of the Republic Iceland, operators of aircraft which are established in its territory under the Treaty establishing the European Community or the European Economic Area Agreement and have valid Operating Licenses in accordance with national law adopted in accordance with the Agreement on the European Economic

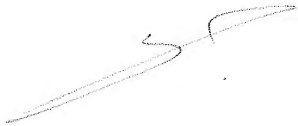
Area and the operators or airports in their territory, act in conformity with such aviation security provisions.

- 4) Each Contracting Party shall ensure that effective measures are taken within its territory to protect aircraft, to screen passengers and their carry-on items, and to carry out appropriate checks on crew, cargo (including hold baggage) and aircraft stores prior to and during boarding or loading and that those measures are adjusted to meet the increase in the threat. Each Contracting Party agrees that its operators of aircraft shall be required to observe, for departure from or while within the territory of the other Contracting Party, aviation security provisions in conformity with the law in force in that country, including, in the case of the Republic of Iceland, in accordance with national law adopted in accordance with the Agreement on the European Economic area. Each Contracting Party shall also act favourably upon any request from the other Contracting Party for reasonable special security measures to meet a particular threat.
- 5) When an incident or threat of an incident of unlawful seizure of civil aircraft or other unlawful acts against the safety of such aircraft, their passengers and crew, airports or air navigation occurs, the Contracting Parties shall assist each other by facilitating communications and other appropriate measures intended to terminate as rapidly as possible commensurate with minimum risk to life such incident or threat.
- 6) When a Contracting Party has reasonable grounds to believe that the other Contracting Party has departed from the provisions of this Article, the first Contracting Party may request immediate consultations with the other Contracting Party. These consultations will be aimed to reach an agreement upon the measures suitable to eliminate the more immediate reasons of worry and to adopt in the framework of the ICAO security standards, the actions necessary to establish the appropriate conditions of security.
- 7) Each Contracting Party shall take such measures, as it may find practicable, to ensure that an aircraft subject to an act of unlawful seizure or other acts of unlawful interference which has landed in its territory is detained on the ground unless its departure is necessitated by the overriding duty to protect human life. Wherever practicable, such measures shall be taken on the basis of mutual consultations.



Article 17
Consultations And Modifications

- 1) Exchange of views shall take place as needed between the Aeronautical Authorities of the Contracting Parties in order to achieve closer cooperation and agreement in all matters pertaining to the application of this Agreement.
- 2) Each Contracting Party may at any time request consultations with the other Contracting Party for the purpose of amending this Agreement or the Route Schedule. Such consultations shall begin within a period of 60 days from the date or receipt of such request. Any amendment to this Agreement, agreed to as a result of such consultations, shall be approved by each Contracting Party in accordance with its constitutional procedures and shall enter into force on the date of exchange of diplomatic notes indicating such approval, though it may be agreed to apply the amendment agreed to provisionally from the date of agreement.
- 3) If the amendment relates only to the Route Schedule, the consultations shall be between the Aeronautical Authorities of both Contracting Parties. When these authorities agree on a new or revised Route Schedule, the agreed amendments shall come into force as soon as they have been confirmed by an exchange of diplomatic notes.



Article 18
Settlement of Disputes

- 1) If any dispute arises between the Contracting Parties relating to the interpretation or application of this Agreement and its Annex, the Contracting Parties shall in the first place endeavor to settle it by negotiations between themselves.
- 2) If the Contracting Parties fail to reach within 60 days a settlement by negotiations they shall refer the dispute for decision to a person or body or at the request of one of the Contracting Parties to an arbitration tribunal. The arbitration tribunal shall be composed as follows:
 - a) Each contracting Party shall nominate an arbitrator; if one Contracting Party fails to nominate his arbitrator within 60 days, such arbitrator shall be nominated by the President of the Council of the International Civil Aviation Organization at the request of the other Contracting Party.
 - b) The third arbitrator, who shall be a national of a third state and who shall preside the arbitrate tribunal, shall be nominated either,
 1. by agreement between the Contracting Parties; or
 2. if within 60 days the Contracting Parties do not so agree, by appointment of the President of the Council of the International Civil Aviation Organization by the request of either Contracting Party.
- 3) The arbitral tribunal shall reach its decisions by a majority of votes. Such decisions shall be binding on both Contracting Parties. Each Contracting Party shall bear the cost of his own member as well as of his representation in the arbitral proceedings; the cost of the Chairman and any other cost shall be borne in equal parts by the Contracting Parties. In all other respects, the arbitral tribunal shall determine its own procedure.
- 4) If and so long as either Contracting Party or its designated airline fail to comply with a decision given under paragraph (3) of this Article, the other Contracting Party may limit, withhold or revoke any rights or privileges relating the subject of the dispute which it has granted by virtue of this Agreement until compliance is established.



- 5) The mechanism is without prejudice to the continuing use of the consultation process, the subsequent use of arbitration, or Termination under Article 19

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Article 19

Termination

Either Contracting Party may at any time notify the other Contracting Party in writing through diplomatic channels of his decision to terminate this Agreement. A copy of the notice shall be sent simultaneously to the Secretary General of the International Civil Aviation Organization. If such notice is given, this Agreement shall terminate twelve months after the date of receipt by the other Contracting Party of the notice to terminate, unless by agreement between the Contracting Parties the notice under reference is withdrawn before the expiry of that period. If the other Contracting Party fails to acknowledge receipt, notice shall be deemed to have been received fourteen days after the date of the receipt by the Secretary General of the International Civil Aviation Organization of his/her copy.



Article 20
Conformity With Multilateral Convention

In the event of a general multilateral air transport convention accepted by the Contracting Parties entering into force, the provisions of such convention shall prevail. Any discussions with a view to determining the extent to which this Agreement is terminated, superseded, amended or supplemented by the provisions of the multilateral convention, shall take place in accordance with paragraph (2) of Article 18 of this Agreement.



Article 21

Registration

This Agreement, its Annex and all amendments thereto shall be registered with the International Civil Aviation Organization by The State of Kuwait.

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Article 22

Titles

Titles are inserted in this Agreement at the head of each Article for the purpose of reference and convenience and in no way to define, limit or describe the scope or intent of this Agreement,

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Article 23
Entry into Force

This Agreement shall enter into force after fulfilment of the internal legal requirements by each Contracting Party, which shall notify each other of the fulfilment of such requirements through exchange of the diplomatic notes.

The Agreement shall come into force on the first day of the next month from the date of the receipt of the last notification.

IN WITNESS WHEREOF the undersigned being duly authorised by their respective Governments have signed this Agreement.

Done at ----- this ---- day of -----, in two originals, in the Arabic, Icelandic and English languages, all texts being equally authentic. However, in case of divergence of interpretation of this Agreement or its Annex the English text shall prevail.

**For The Government
of The State of Kuwait**



**For the Government of
the Republic of Iceland**



Annex
Schedule

- 1- Routes to be operated by the designated airline of the **State of Kuwait** with full traffic rights in both directions:

**Points in Kuwait /Intermediate Points / Points in Iceland/
Points beyond.**

- 2- Routes to be operated by the designated airline of the **Republic of Iceland** with full traffic rights in both directions:

**Points in the Republic Iceland / Intermediate points/
Points in Kuwait /Points beyond.**

Notes:

- i. Intermediate points and points beyond may, at the option of the designated airline(s), be omitted on any or all flights.
- ii. The designated airline(s) of either Contracting Party, on any or all flights, may exercise fifth freedom traffic rights at any of the intermediate and/or beyond points.



CODE – SHARE OPERATIONS

In operating or holding out the agreed services on the specified routes, any designated airline of one Contracting Party may enter into commercial code-share arrangements with:

- an airline(s) of the same Contracting Party,
- an airline(s) of the other Contracting Party;
- an airline(s) of a third country, provided that such third country authorizes or allows comparable arrangements between the airlines of the other Contracting Party and other airlines on services to, from and via such third country,

provided that all airlines in such arrangements:

- hold the appropriate authority;
- meet the requirements normally applied to such arrangements; such as protection and information to passenger for liability, and
- must, in respect of any ticket sold by it, make it clear to the purchaser at the point of sale which airline or airlines the purchaser is entering into a contractual relationship.

Each code-sharing frequency operated by the designated airlines of either country will count as one (1) frequency, whereas the code-sharing services of the marketing carrier will not be counted as a frequency.

All code-share arrangements shall have the prior approval of the appropriate aeronautical authorities before implementation.



Appendix 4

- Republic of Iceland's Proposal for Fuel taxation:

Nothing in this Agreement shall prevent either Party from imposing, on a non-discriminatory basis, taxes, levies, duties, fees or charges on fuel supplied in its territory for use in an aircraft of a designated air carrier of the other Party that operates between a point or points in the territory of the first Party and another point in the territory of that Party or a point in the territory of another European Community Member State or European Economic Area Economic Free Trade Association State.



- Republic of Iceland Proposal for Double Taxation:

Avoidance of Double Taxation

1. Income and profits derived from the operation of aircraft in international traffic by an airline of one Party, including participation in a pool service, a joint air transport operation or an international operating agency, which are subject to tax in the territory of that Party shall be exempt from income tax, profits tax and all other taxes on income and profits imposed in the territory of the other Party.

2. Capital and assets of an airline of one Party relating to the operation of aircraft in international traffic shall be exempt from taxes on capital and assets imposed in the territory of the other Party.

3. Gains from the alienation of aircraft operated in international traffic and movable property pertaining to the operation of such aircraft which are received by an airline of one Party, the income and profits of which according to paragraph 1 are taxable only in the territory of that Party, shall be exempt from any tax on gains imposed in the territory of the other Party.

4. For the purposes of this Article:

a) the term "income and profits" includes revenues and gross receipts from the operation of aircraft for the carriage of persons, livestock, goods, mail or merchandise in international traffic including:

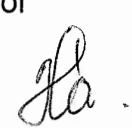
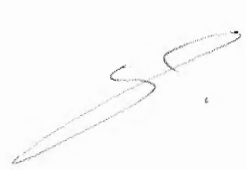
the charter or rental of aircraft if such charter or rental is incidental to the operation of aircraft in international traffic;

the sale of tickets or similar documents, and the provision of services connected with such carriage, for the airline itself or for other airlines, but in the latter case only if such sales or provisions of service are incidental to the operation of aircraft in international traffic; and

interest on funds directly connected with the operation of aircraft in international traffic;

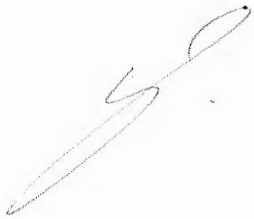
b) the term "international traffic" means any carriage by an aircraft except when such carriage is solely between places in the territory of the other Party;

c) the term "competent authority" means, in the case of Kuwait the -----or his authorized representative, or



any person or body authorized to perform any functions at present exercisable by the -----or similar functions; and in the case of Iceland, the Minister of Finance or his authorized representative.

5. This Article shall cease to have effect in the event that an agreement for the avoidance of double taxation with respect to taxes on income, providing for similar exceptions to those stipulated in this Article, enters into force between the Parties.

A handwritten signature in dark ink, consisting of a stylized, elongated 'S' shape followed by a small loop and a dot.A handwritten signature in dark ink, featuring a large, stylized 'L' or 'H' shape followed by a small dot.

Operational Flexibility

Each designated airline may on any or all flights and at its option:

1. Operate flights in either or both directions;
2. Combine different flight numbers within one aircraft operation;
3. intermediate, and beyond points on the routes in any combination and in any order;
4. Omit stops at any point or points;
5. Transfer traffic from any of its aircraft to any of its other aircraft at any point on the routes;
6. Carry transit traffic through the other Party's territory;
7. Combine traffic on the same aircraft regardless of where such traffic originates;

without directional or geographic limitation and without loss of any right to carry traffic otherwise permissible under this Agreement.

