

**AIR SERVICES AGREEMENT
BETWEEN
THE GOVERNMENT
OF THE REPUBLIC OF ICELAND
AND
THE GOVERNMENT OF THE MACAO SPECIAL
ADMINISTRATIVE REGION OF
THE PEOPLE'S REPUBLIC OF CHINA**

The Government of the Republic of Iceland and the Government of the Macao Special Administrative Region of the People's Republic of China ("the Macao Special Administrative Region"), hereinafter referred to as "the Contracting Parties", the latter having been duly authorized to conclude this Agreement by the Central People's Government of the People's Republic of China;

Desiring to promote their mutual relations in the field of civil aviation and to conclude an agreement for the purpose of establishing air services between and beyond their respective areas;

Desiring to promote an international aviation system based on competition among airlines in the marketplace with minimum government interference and regulation;

Desiring to facilitate the expansion of international air service opportunities; and

Desiring to ensure the highest degree of safety and security in international air transportation and reaffirming their grave concern about acts or threats against the security of aircraft, which jeopardize the safety of persons or property, adversely affect the operation of air transportation, and undermine public confidence in the safety of civil aviation;

Have agreed as follows:

Article 1

Definitions

For the purposes of this Agreement, unless otherwise stated, the term:

1. "Aeronautical authorities" means, in the case of the Republic of Iceland, the Ministry of Communications and, in the case of the Macao Special Administrative

Region, the Civil Aviation Authority, or, in both cases, any person or body, authorized to perform any functions at present exercised by the above-mentioned authorities or similar functions;

2. "Agreement" means this Agreement, its Annex, and any amendments thereto;
3. "Air transportation" means the public carriage by aircraft of passengers, baggage, cargo, and mail, separately or in combination, for remuneration or hire;
4. "Area" in relation to the Republic of Iceland has the meaning assigned to "territory" in Article 2 of the Convention and in relation to the Macao Special Administrative Region includes the Macao Peninsula and the Taipa and Coloane Islands;
5. "Convention" means the Convention on International Civil Aviation, opened for signature at Chicago on December 7, 1944, and includes any amendment that has entered into force under Article 94(a) of the Convention and is applicable to both Contracting Parties, and any Annex or any amendment thereto adopted under Article 90 of the Convention, insofar as such Annex or amendment is at any given time effective for both Contracting Parties;
6. "Designated airline" means an airline designated and authorized in accordance with Article 3 of this Agreement;
7. "European Economic Area" is an enhanced free trade area established by the Agreement on the European Economic Area, signed in Oporto 2 May 1992, between the European Community and its Member States on the one hand and the EFTA States with exclusion of Switzerland on the other hand. EFTA is an abbreviation for the European Free Trade Association of which Iceland is a Member State.
8. "Full cost" means the cost of providing service plus a reasonable charge for administrative overhead;
9. "Price" means any fare, rate or charge for the carriage of passengers (and their baggage) and/or cargo (excluding mail) in air transportation charged by airlines, including their agents, and the conditions governing the availability of such fare, rate or charge;
10. "Stop for non-traffic purposes", "airline" and "air service" have the meanings specified in Article 96 of the Convention; and
11. "User charges" means a charge imposed on airlines for the provision of airport, air navigation, or aviation security facilities or services including related services and facilities.

Article 2

Grant of Rights

1. Each Contracting Party grants to the other Contracting Party the following rights for the conduct of international air services by the airlines of the other Contracting Party:
 - a. the right to fly across its area without landing;
 - b. the right to make stops in its area for non-traffic purposes; and
 - c. the rights otherwise specified in this Agreement.
2. The airlines of each Contracting Party, other than those designated under Article 3 of this Agreement, shall also enjoy the rights specified in paragraph 1 of this Article.
3. Nothing in this Article shall be deemed to confer on the airline or airlines of one Contracting Party the right to take on board, in the area of the other Contracting Party, passengers, their baggage, cargo or mail carried for compensation and destined for another point in the area of that other Contracting Party.

Article 3

Designation and Authorization

1. Each Contracting Party shall have the right to designate an airline or airlines for the purpose of operating the agreed services on each of the routes specified in the Annex and to withdraw or alter such designations. Such designations shall be made in writing and shall be transmitted to the other Contracting Party through the appropriate channels.
2. On receipt of such a designation and of applications from the designated airline, in the form and manner prescribed for operating authorizations and technical permissions, 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 Iceland:
 - (i) it is established in the area of Iceland in accordance with the Agreement on the European Economic Area, and is licensed in accordance with law adopted in accordance with the Agreement on the European Economic Area or European Community law; and
 - (ii) effective regulatory control of the airline is exercised and maintained by a State which is a Party to the Agreement on the European Economic Area responsible for issuing its Air Operator Certificate and the relevant aeronautical authority is clearly identified in the designation;

- b) in the case of an airline designated by the Macao Special Administrative Region:
 - (i) it is incorporated and has its principal place of business in the area of the Macao Special Administrative Region; and
 - (ii) it holds a current Air Operator Certificate issued by the aeronautical authority of the Macao Special Administrative Region;
- c) the designated airline is qualified to meet the conditions prescribed under the laws and regulations normally applied to the operation of international air services by the Contracting Party considering the application or applications.

Article 4

Revocation of Authorization

Either Contracting Party may revoke, suspend or limit the operating authorization or technical permissions of an airline designated by the other Contracting Party where:

- a) in the case of an airline designated by Iceland:
 - (i) it is not established in the area of Iceland in accordance with the Agreement on the European Economic Area, or is not licensed in accordance with law adopted in accordance with the Agreement on the European Economic Area or European Community law; or
 - (ii) effective regulatory control of the airline is not exercised or not maintained by a State which is a Party to the Agreement on the European Economic Area responsible for issuing its Air Operator Certificate, or the relevant aeronautical authority is not clearly identified in the designation;
- b) in the case of an airline designated by the Macao Special Administrative Region:
 - (i) it is not incorporated and does not have its principal place of business in the area of the Macao Special Administrative Region; or
 - (ii) it does not hold a current Air Operator Certificate issued by the aeronautical authority of the Macao Special Administrative Region;
- c) that airline has failed to comply with the laws and regulations referred to in Article 7 of this Agreement.

Article 5

Application of Laws

1. While entering, within, or leaving the area of one Contracting Party, its laws and regulations relating to the operation and navigation of aircraft shall be complied with by the other Contracting Party's airlines.
2. While entering, within, or leaving the area of one Contracting Party, its laws and regulations relating to the admission to or departure from its area of passengers, crew or cargo on aircraft (including regulations relating to entry, clearance, aviation security, immigration, passports, customs and quarantine or, in the case of mail, postal regulations) shall be complied with by, or on behalf of, such passengers, crew or cargo of the other Contracting Party's airlines.
3. Neither Contracting Party shall give preference to its own or any other airline over a designated airline of the other Contracting Party engaged in similar international air transportation in the application of its immigration, customs, quarantine and similar regulations.

Article 6

Recognition of Certificates

1. Each Contracting Party shall recognize as valid, for the purpose of operating the air transportation provided for in this Agreement, certificates of airworthiness, certificates of competency, and licenses issued or validated by the other Contracting Party and still in force, provided that the requirements for such certificates or licenses are at least equal to the minimum standards that may be established pursuant to the Convention.
2. Each Contracting Party reserves the right, however, to refuse to recognize as valid for the purpose of flight above or landing within its own area, certificates of competency and licenses granted to or validated for its own nationals in the case of the Republic of Iceland or, its own residents in the case of the Macao Special Administrative Region, by the other Contracting Party.

Article 7

Safety

1. Either Contracting Party may request consultations concerning the safety standards maintained in respect of an airline designated by the other Contracting Party relating to aeronautical facilities, aircrews, aircraft, and operation of the designated airlines.
2. If, following such consultations, one Contracting Party finds that the other Contracting Party does not effectively maintain and administer safety standards in

the areas referred to in paragraph 1 that meet the Standards established at that time pursuant to the Convention, the other Contracting Party shall be informed of such findings and of the steps considered necessary to conform with the ICAO standards. The other Contracting Party shall then take appropriate corrective action within an agreed time period.

3. Each Contracting Party reserves the right to withhold, revoke, or limit the operating authorization or technical permission of an airline or airlines designated by the other Contracting Party in the event the other Contracting Party does not take such appropriate corrective action within a reasonable time.
4. Any action by one Contracting Party in accordance with paragraph 3 of this Article shall be discontinued once the basis for that action ceases to exist.

Article 8

Aviation Security

1. In accordance with their rights and obligations under international law, the Contracting Parties reaffirm that their obligation to each other to protect the security of civil aviation against acts of unlawful interference forms an integral part of this Agreement. Without limiting the generality of their rights and obligations under international law, the 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 September 14, 1963, the Convention for the Suppression of Unlawful Seizure of Aircraft, signed at The Hague on December 16, 1970, and the Convention for the Suppression of Unlawful Acts against the Safety of Civil Aviation, signed at Montreal on September 23, 1971, as well as with any other convention on aviation security which shall become applicable to both Parties.
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, of their passengers and crew, and of 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 all aviation security standards and appropriate recommended practices established by the International Civil Aviation Organization and designated as Annexes to the Convention; they shall require that operators of aircraft of their registry, operators of aircraft who have their principal place of business or permanent residence in their area, and the operators of airports in their area act in conformity with such aviation security provisions.
4. Each Contracting Party agrees to observe the security provisions required by the other Contracting Party for entry into the area of that other Contracting Party and to take adequate measures to protect aircraft and to inspect passengers, crew, and their baggage and carry-on items, as well as cargo and aircraft stores, prior to and during boarding or loading. Each Contracting Party shall also give positive

consideration to any request from the other Contracting Party for special security measures to meet a particular threat.

5. When an incident or threat of an incident of unlawful seizure of aircraft or other unlawful acts against the safety of passengers, crew, aircraft, airports or air navigation facilities occurs, the Contracting Parties shall assist each other by facilitating communications and other appropriate measures intended to terminate rapidly and safely such incident or threat.
6. When a Contracting Party has reasonable grounds to believe that the other Contracting Party has departed from the aviation security provisions of this Article, the aeronautical authorities of that Contracting Party may request immediate consultations with the aeronautical authorities of the other Contracting Party. Failure to reach a satisfactory agreement within fifteen (15) days from the date of such request shall constitute grounds to withhold, revoke, limit, or impose conditions on the operating authorization and technical permissions of an airline or airlines of that Contracting Party. When justified by an emergency, or to prevent further non-compliance with the provisions of this Article, the first Contracting Party may take interim action at any time.

Article 9

Commercial Opportunities

1. The designated airlines of each Contracting Party shall have the right to establish offices in the area of the other Contracting Party for the promotion and sale of air transportation.
2. The designated airlines of each Contracting Party shall be entitled, in accordance with the laws and regulations of the other Contracting Party relating to entry, residence, and employment, to bring in and maintain in the area of the other Contracting Party managerial, sales, technical, operational, and other specialist staff required for the provision of air transportation.
3. Any designated airline of each Contracting Party may engage in the sale of air transportation in the area of the other Contracting Party directly and, at the airline's discretion, through its agents, subject to the applicable legislation that relates to the protection of passenger funds, and passenger cancellation and refund rights. The sale of such transportation may be effected in both local currency and in freely convertible currencies.
4. Each designated airline shall have the right to convert and remit to its area, on demand, local revenues in excess of sums locally disbursed. Conversion and remittance shall be permitted promptly without restrictions or taxation in respect thereof at the rate of exchange applicable to current transactions and remittance on the date the carrier makes the initial application for remittance.
5. The designated airlines of each Contracting Party shall be permitted to pay for local expenses, including purchases of fuel, in the area of the other Contracting

Party in local currency. At their discretion, the airlines of each Contracting Party may pay for such expenses in the area of the other Contracting Party in freely convertible currencies according to local currency regulation.

6. a) In operating or holding out air services on the specified routes any designated airline of one Contracting Party may enter into blocked-space and code-sharing or leasing arrangements with:
 - i) an airline or airlines of either Contracting Party; and
 - ii) an airline or airlines of a third party. Should such a third party not authorize or allow comparable arrangements between the airlines of the other Contracting Party and other airlines on services to, from and via the area of such third party, the Contracting Parties have the right not to accept such arrangements.
- b) The above provisions are, however, subject to the condition that all airlines in such arrangements:
 - i) hold the underlying traffic rights and meet the principles of this Agreement, and
 - ii) meet the requirements applied to such arrangements by the aeronautical authorities of both Contracting Parties.
- c) The code-sharing airlines are required to file the proposed code-sharing and blocked-space arrangements with the aeronautical authorities of both Contracting Parties at least forty-five (45) days before its proposed introduction. Such a code-sharing and blocked-space arrangements are subject to approval by the aeronautical authorities of both Contracting Parties.

Article 10

Customs Duties and Charges

1. On arriving in the area of one Contracting Party, aircraft operated in international air transportation by the designated airlines of the other Contracting Party, their regular equipment, ground equipment, fuel, lubricants, consumable technical supplies, spare parts (including engines), aircraft stores (including but not limited to such items of food, beverages and liquor, tobacco and other products destined for sale to or use by passengers in limited quantities during flight), and other items intended for or used solely in connection with the operation or servicing of aircraft engaged in international air transportation shall be exempt, on the basis of reciprocity, from all import restrictions, property taxes, customs duties, excise taxes, and similar fees and charges that are (1) imposed by the authorities of the Contracting Parties, and (2) not based on the cost of services provided, provided that such equipment and supplies remain on board the aircraft to the fullest extent possible under that Contracting Party's law.

2. There shall also be exempt, on the basis of reciprocity, from the taxes, levies, duties, fees and charges referred to in paragraph 1 of this Article, with the exception of charges based on the cost of the service provided to the fullest extent possible under that Contracting Party's law:
 - a) aircraft stores introduced into or supplied in the area of a Contracting Party and taken on board, within reasonable limits, for use on outbound aircraft of an airline of the other Contracting Party engaged in international air transportation, even when these stores are to be used on a part of the journey performed over the area of the Contracting Party in which they are taken on board;
 - b) ground equipment and spare parts (including engines) introduced into the area of a Contracting Party for the servicing, maintenance, or repair of aircraft of an airline of the other Contracting Party used in international air transportation;
 - c) fuel, lubricants and consumable technical supplies introduced into or supplied in the area of a Contracting Party for use in an aircraft of an airline of the other Contracting Party engaged in international air transportation, even when these supplies are to be used on a part of the journey performed over the area of the Contracting Party in which they are taken on board; and
 - d) promotional and advertising materials introduced into or supplied in the area of one Contracting Party and taken on board, within reasonable limits, for use on outbound aircraft of an airline of the other Contracting Party engaged in international air transportation, even when these stores are to be used on a part of the journey performed over the area of the Contracting Party in which they are taken on board.
3. Equipment and supplies referred to in paragraphs 1 and 2 of this Article may be required to be kept under the supervision or control of the appropriate authorities.
4. The exemptions provided for by this Article shall also be available where the designated airlines of one Contracting Party have contracted with another airline, which similarly enjoys such exemptions from the other Contracting Party, for the loan or transfer in the area of the other Contracting Party of the items specified in paragraphs 1 and 2 of this Article.

Article 11

User Charges

1. User charges that may be imposed by the competent charging authorities or bodies of each Contracting Party on the airlines of the other Contracting Party shall be just, reasonable, not unjustly discriminatory, and equitably apportioned among categories of users. In any event, any such user charges shall be assessed on the airlines of the other Contracting Party on terms not less favourable than the most favourable terms available to any other airline at the time the charges are assessed.

2. User charges imposed on the airlines of the other Contracting Party may reflect, but shall not exceed, the full cost to the competent charging authorities or bodies of providing the appropriate airport, airport environmental, air navigation, and aviation security facilities and services at the airport or within the airport system. Such full cost may include a reasonable return on assets, after depreciation. Facilities and services for which charges are made shall be provided on an efficient and economic basis.
3. Each Contracting Party shall encourage consultations between the competent charging authorities or bodies in its area and the airlines using the services and facilities, and shall encourage the competent charging authorities or bodies and the airlines to exchange such information as may be necessary to permit an accurate review of the reasonableness of the charges in accordance with the principles of paragraphs 1 and 2 of this Article. Each Contracting Party shall encourage the competent charging authorities to provide users with reasonable notice of any proposal for changes in user charges to enable users to express their views before changes are made.
4. Neither Contracting Party shall be held, in dispute resolution procedures pursuant to Article 17 (Consultations and Settlement of Disputes), to be in breach of a provision of this Article, unless (i) it fails to undertake a review of the charge or practice that is the subject of complaint by the other Contracting Party within a reasonable amount of time; or (ii) following such a review it fails to take all steps within its power to remedy any charge or practice that is inconsistent with this Article.

Article 12

Avoidance of Double Taxation

1. Income and profits derived from the operation of aircraft in international traffic by an airline of one Contracting Party, including participation in a pool service, a joint air transport operation or an international operating agency, which are subject to tax in the area of that Contracting Party shall be exempt from income tax, profits tax and all other taxes on income and profits imposed in the area of the other Contracting Party.
2. Capital and assets of an airline of one Contracting Party relating to the operation of aircraft in international traffic shall be exempt from taxes on capital and assets imposed in the area of the other Contracting 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 Contracting Party, the income and profits of which according to paragraph 1 are taxable only in the area of that Contracting Party, shall be exempt from any tax on gains imposed in the area of the other Contracting 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:
 - (i) the charter or rental of aircraft if such charter or rental is incidental to the operation of aircraft in international traffic;
 - (ii) 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
 - (iii) 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 area of the other Contracting Party;
 - c) the term "competent authority" means, in the case of Iceland, the Minister of Finance or his authorized representative and in the case of the Macao Special Administrative Region, the Finance Bureau (*Direcção dos Serviços de Finanças*) or its authorized representative, or any person or body authorized to perform any functions at present exercisable by the Finance Bureau or similar functions.
5. The competent authorities of the Contracting Parties shall, through consultation, endeavour to resolve by mutual agreement any disputes regarding the interpretation or application of this Article. Article 17 (Consultations and Settlement of Disputes) shall not apply to any such dispute.
6. Notwithstanding Article 21 (Entry into Force), each Contracting Party shall in writing notify the other of the completion of the relevant procedures required by its law to bring this Article into force. The Article shall enter into force on the date of the receipt of the latter of these notifications and shall thereupon have effect in respect of income, profits and gains arising on or after the first day of January of the next calendar year and on capital and assets held on or after that date.
7. Notwithstanding Article 19 (Termination), when notice of termination of this Agreement is given under that Article, this Article shall cease to have effect, in relation to income, profits and gains received as well as capital and assets held on or after the first day of January in the calendar year next following the expiry of six (6) months after the date when such notice is given.
8. 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 in this Article, enters into force between the Contracting Parties.

Article 13

Fair Competition

1. Each Contracting Party shall allow a fair and equal opportunity for the designated airlines of both Contracting Parties to compete in providing the international air transportation governed by this Agreement.
2. Each Contracting Party shall allow each designated airline to determine the frequency and capacity of the international air transportation it offers based upon commercial considerations in the marketplace. Consistent with this right, neither Contracting 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 Contracting Party, except as may be required for customs, technical, operational, or environmental reasons under uniform conditions consistent with Article 15 of the Convention.
3. Neither Contracting Party shall impose on the other Contracting Party's designated airlines any requirement with respect to capacity, frequency or traffic that would be inconsistent with the purposes of this Agreement.
4. Both Contracting Parties shall minimize the administrative burdens of filing requirements and procedures on air transportation intermediaries and on designated airlines of the other Contracting Party.

Article 14

Pricing

1. Each Contracting Party shall allow prices for air transportation to be decided by each designated airline based upon commercial considerations in the marketplace. Intervention by the Contracting Parties shall be limited to:
 - a) prevention of unreasonably discriminatory prices or practices;
 - b) protection of consumers from prices that are unreasonably high or restrictive due to the abuse of a dominant position; and
 - c) protection of airlines from prices that are artificially low due to direct or indirect governmental subsidy or support.
2. Each Contracting Party may require notification to or filing with its aeronautical authorities of prices to be charged to or from its area by the airlines of the other Contracting Party. Notification or filing by the airlines of both Contracting Parties may be required not less than thirty (30) days before the proposed date of effectiveness. In individual cases, notification or filing may be permitted on shorter notice than normally required.

3. Notwithstanding the paragraphs of this Article, the prices to be charged by the designated airline(s) of the Macao Special Administrative Region for carriage wholly within the European Community shall be subject to European Community law. However, each designated airline has the right to match any price offered in the marketplace.

Article 15

Intermodal Services

Notwithstanding any other provision of this Agreement, airlines and indirect providers of cargo transportation of both Contracting Parties shall be permitted, without restriction, to employ in connection with international air transportation any surface transportation for cargo to or from any points in the areas of the Contracting Parties or in third parties, including transport to and from all airports with customs facilities, and including, where applicable, the right to transport cargo in bond under applicable laws and regulations. Such cargo, whether moving by surface or by air, shall have access to airport customs processing and facilities. Airlines may elect to perform their own surface transportation or to provide it through arrangements with other surface carriers, including surface transportation operated by other airlines and indirect providers of cargo air transportation. Such intermodal cargo services may be offered at a single, through price for the air and surface transportation combined, provided that shippers are not misled as to the facts concerning such transportation.

Article 16

Investigation of Accidents

1. In the case of a forced landing or accident of an aircraft of either Contracting Party within the area of the other Contracting Party, the aeronautical authorities of the Contracting Party in whose area the forced landing or accident takes place shall immediately notify the aeronautical authorities of the other Contracting Party thereof, take immediate steps to assist the crew and the passengers, provide for the safety of the aircraft and mail, baggage and cargo on board and take necessary measures for an inquiry into the particulars and circumstances of the forced landing or accident.
2. The aeronautical authorities of the Contracting Party conducting the inquiry into the particulars and circumstances of the forced landing or accident shall inform the aeronautical authorities of the other Contracting Party of the holding of the inquiry and the aeronautical authorities of the other Contracting Party shall be granted full facilities to be represented at the inquiry. The aeronautical authorities of the Contracting Party conducting the inquiry shall send to the aeronautical authorities of the other Contracting Party the report of the inquiry as soon as it is available.

Article 17

Consultations and Settlement of Disputes

1. In a spirit of close co-operation, either Contracting Party may, at any time, request consultations relating to this Agreement, its implementation and satisfactory compliance with the provisions of this Agreement.
2. If any dispute arises between the Contracting Parties relating to the interpretation or application of this Agreement, the Contracting Parties shall endeavour to settle it by consultation. Such consultations shall commence as soon as practicable but in any event not later than sixty (60) days from the date of receipt of the request of consultations, unless otherwise agreed by the Contracting Parties.
3. If the Contracting Parties fail to reach a settlement by negotiation, they may agree to refer the dispute for decision to some person or body, or the dispute may, at the request of either Contracting Party be submitted for decision to a tribunal of three arbitrators, one to be nominated by each Contracting Party and the third to be appointed by the two so nominated. Each of the Contracting Parties shall nominate an arbitrator within a period of sixty (60) days from the date of receipt by either Contracting Party from the other of a notice, through the appropriate channels, requesting arbitration of the dispute and the third arbitrator shall be appointed within a further period of sixty (60) days. If either of the Contracting Parties fails to nominate an arbitrator within the period specified, or if the third arbitrator is not appointed within the period specified, the President of the Council of the International Civil Aviation Organization may be requested by either Contracting Party to appoint an arbitrator or arbitrators as the case requires. In all cases, the third arbitrator shall not be a resident of the Macao Special Administrative Region or a national of the Republic of Iceland and shall act as President of the arbitral tribunal.
4. The Contracting Parties undertake to comply with any decision rendered under paragraph 3 of this Article.

Article 18

Modification

1. If either of the Contracting Parties considers it desirable to modify any provision of this Agreement, including the Annex thereto, it may request consultations between the aeronautical authorities of both Contracting Parties in relation to the proposed modification. Such consultations shall commence within a period of sixty (60) days of the date of receipt of the request. Any modifications so agreed shall enter into force when they have been confirmed by an exchange of letters by both Contracting Parties, through the appropriate channels.
2. Any modification or modifications to the Annex may be made by direct agreement between the aeronautical authorities of both Contracting Parties and shall enter

into force when it has been confirmed by an exchange of letters, through the appropriate channels.

Article 19

Termination

Either Contracting Party may, at any time, give notice in writing to the other Contracting Party of its decision to terminate this Agreement. Such notice shall be sent simultaneously to the International Civil Aviation Organization. This Agreement shall terminate at midnight (at the place of receipt of the notice to the other Contracting Party) immediately before the first anniversary of the date of receipt of the notice by the other Contracting Party, unless the notice is withdrawn by agreement of the Contracting Parties before the end of this period.

Article 20

Registration with ICAO

This Agreement and all amendments thereto shall be registered upon its signature with the International Civil Aviation Organization.

Article 21

Entry into force

This Agreement shall enter into force upon an exchange of letters confirming that the legal procedures necessary to implement the Agreement have been completed.

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

DONE at Reykjavik this 13th day of July, 2004, in duplicate, in the Icelandic, Chinese, Portuguese and English languages, each text being equally authentic. In case of divergence of interpretation, the English text shall prevail.

For the Government of the
Republic of Iceland

Sir Fritlefsson

For the Government of the
Macao Special Administrative Region
of the People's Republic of China

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ANNEX
International Air Services

Route Schedule

Airlines of each Contracting Party designated under this Annex shall, in accordance with the terms of their designation, be entitled to perform international air services between points on the following routes:

A. Routes for the airline or airlines designated by the Government of the Republic of Iceland:

From points behind Iceland via Iceland and intermediate points to a point or points in Macao and beyond.

Note:

No points in inland of China, Taiwan and Hong Kong may be served either as intermediate points or beyond points.

B. Routes for the airline or airlines designated by the Government of the Macao Special Administrative Region :

From points behind Macao via Macao and intermediate points to a point or points in Iceland and beyond.