

MEMORANDUM OF UNDERSTANDING

Delegations representing the Aeronautical Authorities of the Governments of the United Mexican States and Iceland met in Mexico City on July 10 and 11, 2008 to discuss the establishment of an Air Services Agreement and arrangements between their two countries.

A list of the two delegations is in Attachment "A". The discussions were held in a friendly and cordial atmosphere and the following understandings were reached:

AIR SERVICES AGREEMENT

The Aeronautical Authorities concluded the review of the provisions of a draft of an Air Services Agreement and its Route Schedule (hereinafter referred to as "the Agreement"), annexed in Attachment "B", and its formalization will be recommended to their respective Governments.

Both delegations expressed their intention to authorize, when possible, the administrative permits for flight over, to and from their territories while their internal procedures for the entry into force of the Agreement are completed.

CHARTER FLIGHTS

Both Delegations acknowledged the importance of charter flights for combination and all cargo flights. Both Delegations expressed they will undertake their best efforts to facilitate the operation of charter flights to any destination in their respective territories, in accordance with their respective policy in this regard.

INTERMODAL SERVICES

Airlines and indirect providers of cargo transportation of both Parties shall be permitted in accordance with the applicable laws and regulations of each Party regarding licenses for such operations, without restriction, to employ in connection with international air services any surface transportation for cargo to or from any points in the territories of the Parties or in third countries, subject to their applicable licenses for such transportation, 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 services. 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.

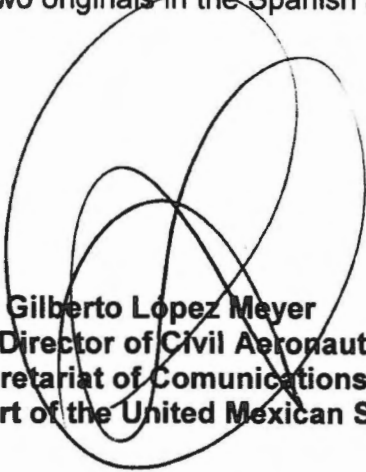
CHANGE OF GAUGE

On any segment or segments of the routes, any designated airline may perform international air services without any limitation as to change, at any point on the route, in type or number of aircraft operated, in the outbound direction, the transportation beyond such point is a continuation of the transportation from the territory of the Party that has designated the airline and, in the inbound direction, the transportation to the territory of the Party that has designated the airline is a continuation of the transportation from beyond such point. In addition any airline shall be entitled to undertake code share arrangements with other airlines without any limitation as to change at any point or points on the route in the type, size or number of aircraft operated.

ENTRY INTO FORCE

This Memorandum of Understanding shall enter into force on the date of its signature.

Signed in Mexico City on this eleventh day of July, two thousand and eight, in two originals in the Spanish and English languages.



Gilberto López Meyer
General Director of Civil Aeronautics of
the Secretariat of Communications and
Transport of the United Mexican States



Benedikt Jonsson
Chief Negotiator
External Trade Department
Ministry for Foreign Affairs of
Iceland

ATTACHMENT "A"**MEXICAN DELEGATION**

LIC. Y P.A. GILBERTO LÓPEZ MEYER
GENERAL DIRECTOR OF CIVIL AERONAUTICS
CHIEF OF THE DELEGATION

LIC. FERNANDO SILVA JIMÉNEZ
DEPUTY GENERAL DIRECTOR OF TRANSPORT
AND AERONAUTIC CONTROL, GDCA

LIC. JUAN RODRÍGUEZ LÓPEZ
TARIFFS DIRECTOR, GDCA

LIC. RAFAEL GARCÍA GIJÓN
CHIEF OF THE INTERNATIONAL AGREEMENT'S UNIT, GDCA

LIC. VERÓNICA JUÁREZ CASIMIRO
DIRECTOR OF TREATIES II,
MINISTRY OF FOREIGN AFFAIRS

AZUCENA SAHAGÚN SEGOVIANO
DEPUTY DIRECTOR OF TREATIES II
MINISTRY OF FOREIGN AFFAIRS

LIC. MARCO ANTONIO GUZMÁN GUERRERO
DEPUTY DIRECTOR OF MULTILATERAL AFFAIRS
SECRETARIAT OF TOURISM

ADVISERS

LIC. ADA LORENA CABRERA BUSTOS
VP LEGAL
AEROVÍAS DE MÉXICO, S.A. DE C.V.

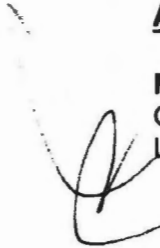
LIC. SALVADOR RETANA ROZANO
GOVERNMENT AND INDUSTRY AFFAIRS DIRECTOR
COMPAÑÍA MEXICANA DE AVIACIÓN, S.A. DE C.V.



ICELANDIC DELGATION

HE. BENEDIKT JONSSON
CHIEF NEGOTIATOR
EXTERNAL TRADE DEPARTMENT
MINISTRY FOR FOREIGN AFFAIRS

MS. ASTRÍÐUR SCHEVING THORSTEINSSON
LEGAL ADVISER
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ADVISERS

MS. LENA MAGNÚSDÓTTIR
OFFICE MANAGER
LOFTLEIDIR ICELANDIC



ATTACHMENT "B"

AIR SERVICES AGREEMENT BETWEEN THE GOVERNMENT OF ICELAND AND THE GOVERNMENT OF THE UNITED MEXICAN STATES

The Government of Iceland and the Government of the United Mexican States (hereinafter referred to as the "Parties");

BEING Contracting States to the Convention on International Civil Aviation opened for signature at Chicago on 7 December 1944;

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 their respective territories;

DESIRING to facilitate the expansion of international air service opportunities;

DESIRING to ensure the highest degree of safety and security in international air services 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 services 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 Iceland, the Ministry of Communications and any person or agency authorized to perform the functions exercised by the said authority, and in the case of the United Mexican States, the Secretariat of Communications and Transport, through the General Direction of Civil Aeronautics, or in both cases, any other individuals or institutions authorized to assume the functions carried out by the authorities mentioned above;

2. "Agreement" means this Agreement, its Annex, and any amendments thereto;

3. "Convention" means the Convention on International Civil Aviation, opened for signature at Chicago on 7 December 1944, and includes: any amendment that has entered into force under Article 94 (a) of the Convention and has been ratified by both Parties, and any Annex or any amendment thereto adopted under Article 90 of the Convention, insofar as such Annexes or amendments are at any given time effective for both Parties;



4. "Designated airline" means an airline designated and authorized in accordance with Article 3 of this Agreement;

5. "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 EFTA 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;

6. "Full cost" means the cost of providing service plus a reasonable charge for administrative overhead;

7. "International air service" means an air service that passes through the airspace over the territory of more than one State;

8. "Tariff" means the price charged for the transportation of passengers, baggage and cargo, as well as the conditions and rules that regulate the application of the transportation cost depending on the characteristics of the service rendered, under which that amount shall be applied, excluding the remuneration and other conditions relative to the carriage of mail;

9. "Stop for non-traffic purposes", "airline", "air service" and "territory" have the meaning specified in Articles 2 and 96 of the Convention, and

10. "User charges" means a charge/charges 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 Party grants the other Party's designated airlines the following rights for the conduct of international air services:

- a) the right to fly across its territory without landing;
- b) the right to make stops in its territory for non-traffic purposes, and
- c) the rights otherwise specified in this Agreement.

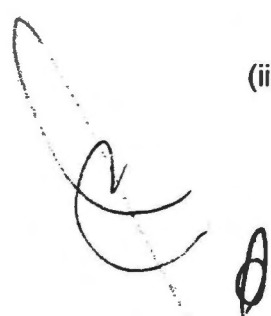
2. Nothing in this Article shall be deemed to confer to the designated airline or airlines of one Party the right to take on board, in the territory of the other Party, passengers, their baggage, cargo, or mail carried for remuneration and destined for another point in the territory of that other Party.

ARTICLE 3
Designation and Authorization

1. Each 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 transmitted to the other Party through diplomatic channels.

2. Upon 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 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 territory of Iceland in accordance with the Agreement on the European Economic Area, and is licensed in accordance with national law or under European Community law adopted in accordance with the Agreement on the European Economic Area;
 - (ii) effective regulatory control of the airline is exercised and maintained by a State which is a Contracting Party to the Agreement on the European Economic Area responsible for issuing its Air Operator's Certificate and the relevant aeronautical authority is clearly identified in the designation, and
 - (iii) it is owned and shall continue to be owned directly or through majority ownership by Member States of the European Economic Area and/or nationals of the European Economic Area and shall at all times be effectively controlled by such states and/or such nationals.
- b) in the case of an airline designated by the United Mexican States:
 - (i) it is established in the territory of the United Mexican States and is licensed in accordance with the applicable law of the United Mexican States;
 - (ii) the United Mexican States has and maintains effective regulatory control of the airline, and
 - (iii) it is owned and shall continue to be owned directly or through majority ownership by the United Mexican States and / or nationals of the United Mexican States - and shall at all times be effectively controlled by the United Mexican States and/or its nationals.



- 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 Party considering the application or applications.

ARTICLE 4 **Revocation of Authorization**

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

- a) in the case of an airline designated by Iceland:
 - (i) it is not established in the territory of Iceland in accordance with the Agreement on the European Economic Area, and does not have a valid operating license in accordance with the European Economic Area or national law adopted in accordance with the Agreement on the European Economic Area;
 - (ii) effective regulatory control of the airline is not exercised or not maintained by a State which is a Contracting Party to the Agreement on the European Economic Area responsible for issuing its Air Operators Certificate, or the relevant aeronautical authority is not clearly identified in the designation;
 - (iii) it is not owned, directly or through majority ownership by, or it is not effectively controlled by a Member State of the European Economic Area and/or nationals of Member States of the European Economic Area.
- b) in the case of an airline designated by the United Mexican States:
 - (i) it is not established in the territory of the United Mexican States; or is not licensed in accordance with the applicable law of the United Mexican States; or
 - (ii) the United Mexican States is not maintaining effective regulatory control of the airline, or
 - (iii) it is now owned, directly or through majority ownership, or it is not effectively controlled by the United Mexican States and/or its nationals.



- 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 territory of one Party, its laws and regulations relating to the operation and navigation of aircraft shall be complied with by the other Party's airlines.

2. While entering, within, or leaving the territory of one Party, its laws and regulations relating to the admission to or departure from its territory 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 Party's airlines.

3. 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 6

Recognition of Certificates

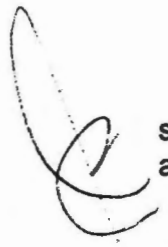
1. Each Party shall recognize as valid, for the purpose of operating the air services provided for in this Agreement, certificates of airworthiness, certificates of competency, and licenses issued or validated by the State responsible for the regulatory control of a designated airline and still in force, provided that the requirements for such certificates or licenses at least equal the minimum standards that may be established pursuant to the Convention.

2. Each Party reserves the right, however, to refuse to recognize as valid for the purpose of flight above or landing within its own territory, certificates of competency and licenses granted to or validated for its own nationals by the other Party.

ARTICLE 7

Safety

1. Either Party may request consultations concerning the safety standards maintained in respect of an airline designated by the other Party relating to aeronautical facilities, aircrews, aircraft, and operation of the designated airlines.



2. If, following such consultations, one Party finds that the other Party does not effectively maintain and administer safety standards in the areas referred to in paragraph 1 of this Article that meet the standards established at that time pursuant to the Convention, the other Party shall be informed of such findings and of the steps considered necessary to conform with the said standards. The other Party shall then take appropriate corrective action within an agreed time period.

3. Pursuant to Article 16 of the Convention, it is further agreed that, any aircraft operated by, or on behalf of an airline of one Party, on service to or from the territory of the other Party, may, while within the territory of the other Party be the subject of a search by the authorized representatives of the other Party, provided this does not cause unreasonable delay in the operation of the aircraft. Notwithstanding the obligations mentioned in Article 33 of the Convention, the purpose of this search is to verify the validity of the relevant aircraft documentation, the licensing of its crew, and that the aircraft equipment and the condition of the aircraft conform to the standards established at that time pursuant to the Convention.

4. When urgent action is essential to ensure the safety of an airline operation, each Party reserves the right to immediately suspend or vary the operating authorization of an airline or airlines of the other Party.

5. Any action by one Party in accordance with paragraph 4 of this Article shall be discontinued once the basis of the taking of that action ceases to exist.

6. With reference to paragraph 2 of this Article, if it is determined that one Party remains in non-compliance with the said standards when the agreed time period has lapsed, the Secretary-General of ICAO should be advised thereof. The latter should also be advised of the subsequent satisfactory resolution of the situation.

ARTICLE 8

Aviation Security

1. In accordance with their rights and obligations under international law, the 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, done at Tokyo on 14 September 1963, the Convention for the Suppression of Unlawful Seizure of Aircraft, done at The Hague on 16 December 1970, the Convention for the Suppression of Unlawful Acts against the Safety of Civil Aviation, done at Montreal on 23 September 1971, and its Protocol, done at Montreal on 24 February 1988, and the Convention on the 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 both Parties become members.



2. Upon request the Parties shall provide each other with all necessary assistance to prevent acts of unlawful seizure of civil aircraft and other unlawful acts against the safety of such aircraft, of their passengers and crew, of airports and air navigation facilities, and address any other threat to the security of civil air navigation.

3. The 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 territory and the operators of airports in their territory act in conformity with such aviation security provisions.

4. Each Party agrees to observe the security provisions required by the other Party for entry into the territory of that other 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 Party shall also give positive consideration to any request from the other 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 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 Party has reasonable grounds to believe that the other Party has departed from the aviation security provisions of this Article, the aeronautical authorities of that Party may request immediate consultations with the aeronautical authorities of the other 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 other Party. When required by an emergency, a Party may take interim action prior to the expiry of fifteen (15) days.

ARTICLE 9

Commercial Opportunities

1. The airlines of each Party shall have the right to establish offices in the territory of the other Party for the promotion and sale of air services.

2. The designated airlines of each Party shall be entitled, in accordance with the laws and regulations of the other Party relating to entry, residence and employment, to bring in and maintain in the territory of the other Party managerial,

sales, technical, operational and other specialist staff required for the provision of air services.

3. Each designated airline, in accordance with the applicable laws and regulations, shall have the right to perform its own ground-handling in the territory of the other Party ("self-handling") or, at its option, select among competing agents for such services in whole or in part. The rights shall be subject only to physical constraints resulting from considerations of airport safety. Where such considerations preclude self-handling, ground services shall be available on an equal basis to all airlines; charges shall be based on the costs of services provided; and such services shall be comparable to the kind and quality of services as if self-handling were possible.

4. Any airline of each Party may engage in the sale of air services in the territory of the other Party directly and, at the airline's discretion, through its agents. Each airline shall have the right to sell such transportation, and any person shall be free to purchase such transportation, in the currency of that territory or in freely usable currencies in accordance with local currency regulation.

5. Each airline shall have the right to convert and remit to its country, on demand, local revenues in excess of sums locally disbursed. Conversion and remittance shall be permitted promptly without restrictions or taxation in respect thereof in any freely usable currency at the rate of exchange in effect at the time such revenues are presented for conversion and remittance and in accordance with local regulation.

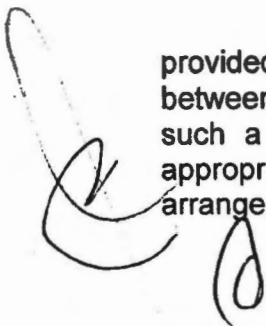
6. The airlines of each Party shall be permitted to pay for local expenses, including purchases of fuel, in the territory of the other Party in local currency. At their discretion, the airlines of each Party may pay for such expenses in the territory of the other Party in freely usable currencies in accordance with local currency regulation.

7. In operating or holding out the authorized services on the agreed routes, any designated airline of one Party may enter into co-operative marketing arrangements such as blocked-space, code-sharing with

(i) an airline or airlines of either Party; and

(ii) an airline or airlines of a third country,

provided that such a third country authorizes or allows comparable arrangements between the airlines of the other Party and other airlines on services to, from and via such a third country; provided that all airlines in such arrangements 1) hold the appropriate authority and 2) meet the requirements normally applied to such arrangements.



ARTICLE 10

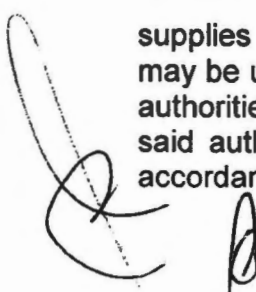
Customs Duties and Charges

1. Aircraft operated on international air services by the designated airline of either Party, as well as their regular equipment, spare parts, including engines, supplies of fuel and lubricants, consumable technical supplies, and aircraft stores (including but not limited to such items as food, beverages and tobacco) which are on board such aircraft shall be exempt by the other Party on the basis of reciprocity from all customs duties, inspection fees, excise taxes and other similar charges on arriving in the territory of the other Party, provided such equipment, spare parts, stores and supplies remain on board the aircraft up to such time as they are re-exported or are used on board aircraft on the part of the journey to be performed over that territory.

2. The following equipment and items shall be exempted by the other Party on the basis of reciprocity from all customs duties, inspection fees, excise taxes and other similar charges not based on the cost of services provided on arrival, including:

- a) regular equipment, fuel, lubricants, consumable technical supplies, aircraft stores (including but not limited to such items as food, beverages and tobacco), introduced into the territory of the other Party by or on behalf of a designated airline and intended for use on aircraft operated in international air services, even when such regular equipment and such other items are to be used on any part of a journey performed over the territory of the other Party;
- b) spare parts including engines introduced into the territory of the other Party by or on behalf of a designated airline for the maintenance or repair of aircraft operated in international air services by that designated airline;
- c) printed ticket stock, air waybills, any printed material which bears insignia of a designated airline of one Party and usual publicity material distributed without charge by that materials referred to in sub-paragraphs (a) and (b) above shall be required to be kept under Customs supervision or control.

3. The regular airborne equipment, as well as the materials and supplies normally retained on board the aircraft of the designated airline of either Party, may be unloaded in the territory of the other Party only with the approval of the customs authorities of that territory. In such case, they may be placed under supervision of the said authorities up to such time as they are re-exported or otherwise disposed of in accordance with customs regulations.



ARTICLE 11

User Charges

1. User charges that may be imposed by the competent charging authorities or bodies of each Party on the airlines of the other 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 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 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.

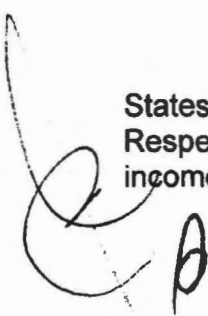
3. Each Party shall encourage consultations between the competent charging authorities or bodies in its territory and the airlines using the services and facilities, and shall encourage the competent charging authorities or bodies and the airlines to exchange such information as may be necessary to permit an accurate review of the reasonableness of the charges in accordance with the principles of paragraphs 1 and 2 of this Article. Each 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 party shall be held, in dispute resolution procedures pursuant to Article 15 of this Agreement, 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 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

The Convention between the Republic of Iceland and the United Mexican States for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income, signed in Mexico City on March 11, 2008, is applicable to income, profits, gains and capital derived by the airlines of the Parties.



ARTICLE 13

Fair Competition

1. Each Party shall allow a fair and equal opportunity for the designated airlines of both Parties to compete in providing the international air services governed by this Agreement.

2. 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, except as may be required for customs, technical, operational, or environmental reasons under uniform conditions consistent with Article 15 of the Convention.

3. Neither Party shall impose on the other Party's designated airlines a first-refusal requirement, uplift ratio, no-objection fee, or any other requirement with respect to capacity, frequency or traffic that would be inconsistent with the purposes of this Agreement.

ARTICLE 14

Tariffs

1. Tariffs charged by the designated airlines of the Parties in respect of transportation destined to the territory of the other Party or from it, shall be determined at reasonable levels, by taking into account all the relevant valuation aspects, such as the operating cost, service characteristics, reasonable profits, tariffs applied in similar conditions by other airlines, the users' interests and the market situation, among others.

2. Tariffs shall be submitted for approval to the aeronautical authorities of both Parties, at least fifteen (15) business days before the proposed effective date for their entry into force, unless the Party to whom the submission is made, allows for a less time. Approvals shall be given expressly. For any tariff to become effective and marketed, the prior approval by the aeronautical authorities of both Parties shall be first obtained, for the purpose of which the designated airlines of both Parties shall not need to agree on the fares to be applied.

3. Without prejudice to the application of the users' competency and protection-related regulations in force within the territory of each Party, the aeronautical authority of each one of the Parties may reject a fare submitted for approval by any appointed airlines of any Party, if such tariff:

- a) is deemed to be excessively high or highly restrictive in prejudice of the consumers, or

- b) if applied, could have an anti-competitive behavior and cause severe damages to other appointed airline, or
- c) is artificially low for the benefit of an appointed airline and in prejudice of another one.

4. In any of the above events, if the appointed airline whose tariff is rejected, presents its disagreements in such respect, then, the aeronautical authority of the Party that had rejected such tariff may consult with the aeronautical authority of the other Party in order to try to reach an arrangement as to the appropriate tariff; meanwhile, such tariff shall not be marketed or applied. If no agreement is reached as to the appropriate tariff, the controversy shall be solved under the provisions contained in Article 15 of this Agreement.

5. If the aeronautical authority of a Party considers that an effective tariff applied by the designated airline of the other Party has anti-competitive effects and causes severe damages to other appointed airline of the Parties, or if the application of such tariff is prejudicial to the consumers, then, the aeronautical authority may ask such airline to withdraw the concerned tariff from the market; otherwise, it may ask for consultations with the aeronautical authority of the other Party in order to reach an arrangement on the applicable tariff. If no agreement is reached, the controversy shall be solved under the provisions contained in Article 15 of this Agreement.

6. A tariff approved according to the provisions of this Article shall remain effective until it is cancelled or until a new replacing tariff is established, except as provided for in paragraph 5. The aeronautical authorities of each Party shall carry out their best efforts to guarantee that the designated airlines of each Party apply only the tariffs approved by both Parties.

7. Notwithstanding paragraphs 1 to 6 of this Article, the tariffs to be charged for carriage wholly within the European Economic Area by the designated airlines of the United Mexican States, shall be subject to the Agreement on the European Economic Area. However, each designated airline has the right to match any tariff offered.

8. Notwithstanding paragraphs 1 to 6 of this Article, the tariffs to be charged for carriage from the United Mexican States to any point in the American Continent by the designated airlines of Iceland, shall be subject to the applicable legislation. However, each designated airline has the right to match any tariff offered.



ARTICLE 15

Consultations and Settlement of Disputes

1. In a spirit of close co-operation, either Party may, at any time, request consultations relating to this Agreement, its implementation and satisfactory compliance with the provisions of this Agreement. If any dispute arises between the Parties relating to the interpretation or application of this Agreement, the Parties shall in the first place endeavour to settle it by consultation.

2. Any dispute which cannot be resolved by consultation may at the request of either Party of this Agreement be submitted to a mediator or a dispute settlement panel. Such a mediator or panel may be used for mediation, determination of the substance of the dispute or to recommend a remedy or resolution of the dispute.

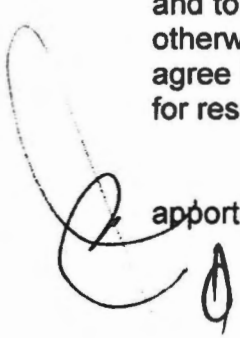
3. The Parties shall agree in advance on the terms of reference of the mediator or of the panel, the guiding principles or criteria and the terms of access to the mediator or the panel. They shall also consider, if necessary, providing for an interim relief and the possibility for the participation of any third Party that may be directly affected by the dispute, bearing in mind the objective and need for a simple, responsive and expeditious process.

4. A mediator or the members of a panel may be appointed from a roster of suitably qualified aviation experts maintained by ICAO. The selection of the expert or experts shall be completed within fifteen (15) days of receipt of the request for submission to a mediator or to a panel. If the Parties fail to agree on the selection of an expert or experts, the selection may be referred to the President of the Council of ICAO. Any expert used for this mechanism should be adequately qualified in the general subject of the dispute.

5. A mediation should be completed within sixty (60) days of engagement of the mediator or the panel and any determination including, if applicable, any recommendation, should be rendered within sixty (60) days of engagement of the expert or experts. The Parties may agree in advance that the mediator or the panel may grant interim relief to the complainant, if requested, in which case a determination shall be made initially.

6. The Parties shall cooperate in good faith to advance the mediation and to implement the decision or determination of the mediator or the panel, unless they otherwise agree in advance to be bound by the decision or determination. If the Parties agree in advance to request only a determination of the facts, they shall use those facts for resolution of the dispute.

7. The costs of this mechanism shall be estimated upon initiation and apportioned equally, but with the possibility of re-apportionment under the final decision.



8. The mechanism is without prejudice to the continuing use of the consultation process, the subsequent use of arbitration, or termination under Article 17.

ARTICLE 16 **Amendments**

1. If either Party considers it desirable to amend any provision of this Agreement, including the Annex thereto, it may request consultations between the aeronautical authorities of both Parties in relation to the proposed amendment. Such consultations shall commence within a period of sixty days (60) from the date of receipt of the request. Any amendments so agreed shall enter into force in accordance with the procedures established in Article 19.

2. An amendment to the Annex may be made by direct agreement between the aeronautical authorities of both Parties and shall enter into force when it has been confirmed by an exchange of diplomatic notes.

ARTICLE 17 **Termination**

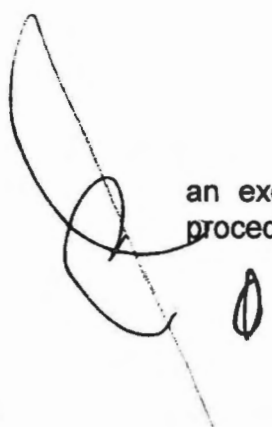
Either Party may, at any time, give notice in writing to the other Party of its decision to terminate this Agreement. Such notice shall be sent simultaneously to the International Civil Aviation Organization. This Agreement shall terminate at midnight at the place of receipt of the notice immediately before the first anniversary of the date of receipt of the notice by the other Party, unless the notice is withdrawn by agreement of the Parties before the end of this period. In the absence of acknowledgement of receipt by the other Party, the notice shall be deemed to have been received fourteen (14) days after the date it was received by the International Civil Aviation Organization.

ARTICLE 18 **Registration with ICAO**

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

ARTICLE 19 **Entry into force**

This Agreement shall enter into force thirty (30) days after the later note in an exchange of diplomatic notes between the Parties confirming that the internal procedures necessary for the entry into force of the Agreement have been completed.



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

DONE at _____ on this _____ day of two thousand and _____, in duplicate, in the English and Spanish languages, each text being equally authentic. In case of divergence of interpretation, the English text shall prevail.

**FOR THE GOVERNMENT
OF ICELAND**



**FOR THE GOVERNMENT OF THE
UNITED MEXICAN STATES**



ANNEX
International Air Services

SECTION 1
Routes

Airlines of each 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 Iceland:

FROM	INTERMEDIATE POINTS	TO	BEYOND POINTS
Any points in Iceland	Any points	Any points in the United Mexican States	Any points

B. Routes for the airline or airlines designated by the Government of the United Mexican States:

FROM	INTERMEDIATE POINTS	TO	BEYOND POINTS
Any points in the United Mexican States	Any points	Any points in Iceland	Any points

SECTION 2
Operational Flexibility

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

1. Operate in either or both directions; serve intermediate and beyond points on the routes in any combination and in any order; omit calling at any or all intermediate or beyond point(s), provided that the flights begin or end in the territory of the designated airline.




2. Notwithstanding Article 3 (Designation and Authorization) of the Agreement, no more than two designated airlines of each Party shall be allowed to operate on any given city pair between Iceland and the United Mexican States.

3. The designated airlines shall be allowed to exercise full 3rd and 4th freedom traffic rights.

4. The designated airlines may only exercise 5th freedom traffic rights when agreed upon and previously authorized by the aeronautical authorities of both Parties.

5. The designated airline(s) of both Parties shall submit for approval to the aeronautical authority of the other Party at least 20 days prior to the inauguration of its services, the timetable of intended services, specifying the frequency, the type of aircraft, and period of validity. Minor schedule changes of temporary nature may be requested 48 hours in advance.

