

**AIR SERVICES AGREEMENT BETWEEN THE GOVERNMENT
OF MACAU SPECIAL ADMINISTRATIVE REGION OF THE
PEOPLE'S REPUBLIC OF CHINA AND THE GOVERNMENT
OF THE ISLAMIC REPUBLIC OF PAKISTAN**

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The Government of Macau Special Administrative Region of the People's Republic of China having been duly authorized to conclude this Agreement by the Central People's Government of the People's Republic of China and the Government of the Islamic Republic of Pakistan and,

hereinafter referred to as the Contracting Parties,

Desiring to conclude an Agreement for the purpose of providing the framework for air services between and beyond the Macau Special Administrative Region and the Islamic Republic of Pakistan,

Have agreed as follows:

Article 1

Definitions

For the purpose of this Agreement, unless the context otherwise requires:

- (a) "area" in relation to the Macau Special Administrative Region includes the Macau Peninsula and the Taipa and Coloane Islands and in relation to the Islamic Republic of Pakistan has the meaning assigned to "territory" in Article 2 of the Convention on International Civil Aviation, opened for signature on the seventh day of December, 1944 (hereinafter referred to as "the Convention");
- (b) "aeronautical authorities" means, in the case of the Macau Special Administrative Region, the Civil Aviation Authority or any person or body authorized to perform any functions at present exercised by the said Authority and in the case of Pakistan, Director General of Civil Aviation and/or any person or body authorized to perform any functions at present exercised by the said Director General;
- (c) "Agreement" means this Agreement, its Annex and any amendments thereto;

- (d) "agreed services" means the air services established under this Agreement;
- (e) "airline" means any air transport enterprise offering or operating an air service and reference to the word in the singular shall be construed to include the plural and reference to the plural shall be construed to include the singular as the context requires;
- (f) "air services" means scheduled air services performed by aircraft for the public transport of passengers, cargo or mail, separately or in combination, for remuneration or hire;
- (g) "designated airline" means an airline designated and authorized in accordance with Article 4 of this Agreement;
- (h) "operating permission" means the authorization given by the aeronautical authorities of a Contracting Party to a designated airline of the other Contracting Party in accordance with Article 4 of this Agreement;
- (i) "specified routes" means the routes specified in the Schedules under the Annex of this Agreement;
- (j) "stop for non-traffic purposes" means a landing for any purpose other than taking on or discharging passengers, cargo or mail;
- (k) "tariff" means the price to be charged for the public transport of passengers, baggage and cargo on scheduled air services including the conditions governing the availability or applicability of such price and the charges and conditions for services ancillary to such transport;
- (l) The term "capacity" in relation to an aircraft means the payload of that aircraft available on a route or section of a route;
- (m) The term " capacity" in relation to "agreed service" means the capacity of the aircraft used on such service, multiplied by the frequency operated by such aircraft over a given period and route or section of a route.

Article 2

Provisions of the Convention

In implementing this Agreement, the Contracting Parties shall act in conformity with the provisions of the Convention including the Annexes, and any amendments to the Convention or to the Annexes, insofar as these provisions are applicable to both Contracting Parties.

Article 3

Grant of Rights

1. Each Contracting Party grants to the other Contracting Party the following rights in the conduct of air services by its airlines:
 - (a) the right to fly across its area without landing; and
 - (b) the right to make stops in its area for non-traffic purposes.
2. Each Contracting Party grants to the other Contracting Party the rights specified in this Agreement for the purposes of operating scheduled air services on the specified routes and to make stops at the points specified for that route in the appropriate schedule of the Annex of this Agreement for the purposes of taking on board and discharging international traffic in passengers, cargo and mail, separately or in combination.
3. The airlines of each Contracting Party, in addition to the one designated under Article 4 of this Agreement, shall also enjoy the rights specified in paragraph (1) (a) and (b) of this Article.
4. Nothing in this Article shall be deemed to confer on the designated airline of Pakistan the right to provide air transportation between the Macau Special Administrative Region and Hongkong, points in Taiwan and the mainland of China.

Article 4

Designation and Authorization

1. Each Contracting Party shall have the right to designate one airline for the purpose of operating the agreed services on the specified routes. This designation shall be notified in writing by one Contracting Party to the other Contracting Party.
2. On receipt of the notification, the other Contracting Party shall, subject to the provisions of paragraphs 3 and 4 of this Article, grant to the airline designated the appropriate operating authorization.
3. The aeronautical authorities of one Contracting Party may require the airline designated by the other Contracting Party to satisfy them that it is qualified to fulfill the conditions prescribed by or under the laws and regulations normally and reasonably applied to the operation of international air services by such authorities.

4. Each Contracting Party shall have the right to refuse to accept the designation of an airline or to refuse to grant the operating authorization referred to in paragraph 2 of this Article, or to impose such conditions as it may deem necessary on the exercise by the designated airline of the rights specified in Article 3 of this Agreement, in any case where the said Contracting Party is not satisfied that:
 - (a) in the case of the Macau Special Administrative Region, that airline is incorporated and has its principal place of business in the Macau Special Administrative Region;
 - (b) in the case of Pakistan, substantial ownership and effective control of that airline are vested in Pakistan, or in its nationals or both.
5. When an airline has been so designated and authorized under paragraph 2 of this Article, it may begin at any time to operate the agreed services, provided that the capacity is regulated under Article 12 and that a tariff established in accordance with the provisions of Article 13 of this Agreement is in force in respect of that service.

Article 5

Revocation or Suspension of Operating Permission

1. Each Contracting Party shall have the right to revoke, suspend, limit or impose conditions on the operating permission of an airline designated by the other Contracting Party where:
 - (a) such airline fails to comply with the laws and regulations referred to in Article 8; or
 - (b) in the case of the Macau Special Administrative Region, that airline is not incorporated and has not its principal place of business in the Macau Special Administrative Region;
 - (c) in the case of Pakistan, substantial ownership and effective control of that airline are not vested in Pakistan, or in its nationals or both;
 - (d) the other Contracting Party is not maintaining and administering safety standards as set forth in Article 9.
2. Unless immediate action is essential to prevent infringement of the laws and regulations referred to in Article 8 the right to revoke an operating permission shall be exercised only after consultation with the other Contracting Party.

Article 6

Customs and Other Duties

1. Fuel, lubricating oils, spare parts, regular aircraft equipment and aircraft stores (including food, beverages and tobacco) introduced into the area of one Contracting Party or taken on board on aircraft in that area, by or on behalf of, the other Contracting Party or its designated airline and intended solely for use by or in the aircraft of that airline shall be accorded by the first Contracting Party in respect of customs duties, inspection fees and other similar duties and charges, treatment not less favorable than that granted to its own airline engaged in the operation of international air services.
2. Supplies of fuel, lubrication oils, spare parts, regular aircraft equipment and aircraft stores (including food, beverages and tobacco) retained on board an aircraft of the designated airline of one Contracting Party shall be exempted in the area of the other Contracting Party from customs duties, inspection fees or similar duties or charges, even though such supplies be used by such aircraft on flights in that area. Goods so exempted may only be unloaded with the approval of the customs authorities of the other Contracting Party. These goods, which are to be re-exported, shall be kept in bond until re-exportation under customs supervision.
3. The exemptions provided for by this Article shall also be available in situations where the designated airline of one Contracting Party has entered into arrangements with another airline for the loan or transfer in the area of the other Contracting Party of the items specified in paragraph (1), provided that such other airline similarly enjoys such exemption from the other Contracting Party.

Article 7

Direct and Transit Traffic

Passengers, baggage and cargo in direct transit across the area of one Contracting Party and not leaving the zone of the airport reserved for such purpose shall only be subject to a very simplified control. Baggage and cargo in direct transit shall be exempted from customs duties and other similar taxes.

Article 8

Application of Laws

1. The laws and regulations of one Contracting Party governing entry into and departure from its area of aircraft engaged in air services, or to the operation and navigation of such aircraft while within its area, shall be applied to the aircraft of

the airline designated by the other Contracting Party and shall be complied with by such aircraft upon entry into or departure from and while within the area of the first Contracting Party.

2. The laws and regulations of one Contracting Party governing entry into, sojourn in, and departure from its area of passengers, crew, cargo or mail, such as formalities pertaining to entry, exit, emigration and immigration, passports, customs and quarantine shall be complied with by or on behalf of such passengers, crew, cargo or mail carried by the designated airline of the other Contracting Party upon entry into or departure from and while within the area of the first Contracting Party.
3. Each Contracting Party undertakes not to grant any preference to its own airline with regard to the designated airline of the other Contracting Party in the application of the laws and regulations provided for by this Article.

Article 9

Airworthiness

1. Certificates of airworthiness, certificates of competency, and licenses issued or rendered valid by one Contracting Party, shall, during the period of their validity, be recognized as valid by the other Contracting Party for the purpose of operating the air 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 may be established pursuant to the Convention. Each Contracting Party reserves the right, however, to refuse to recognize, for the purpose of flights above its own area, certificates of competency and licenses granted to its own residents in the case of the Macau Special Administrative Region by the other Contracting Party, and to its own nationals in the case of the Islamic Republic of Pakistan by the other Contracting Party.
2. The aeronautical authorities of each Contracting Party may request consultations concerning the safety and security standards and requirements relating to aeronautical facilities, aircrew, aircraft, and the operation of the designated airlines which are maintained and administered by the other Contracting Party. If, following such consultations, the aeronautical authorities of either Contracting Party find that the other Contracting Party does not effectively maintain and administer safety and security standards and requirements in those areas that are equal to or above the minimum standards which may be established pursuant to the Convention, they will notify the other Contracting Party of such findings and the steps considered necessary to bring the safety and security standards and requirements of the other Contracting Party to standards at least equal to the minimum standards which may be established pursuant to the Convention, and the other Contracting Party shall take appropriate steps to remedy the same.

3. Each Contracting Party reserves the right pursuant to Article 5 to withhold, limit, suspend, revoke or to impose conditions on the operating authorization with respect to any designated airline by the other Contracting Party, in the event the other Contracting Party does not take such appropriate action within a reasonable time.

Article 10

Security

1. 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. The Contracting Parties shall in particular act in conformity with the provisions of the Convention on Offenses 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 and the Convention for the Suppression of Unlawful Acts against the Safety of Civil Aviation, signed at Montreal on 23 September 1971.
2. The Contracting Parties shall provide upon request all practicable aid 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 Parties shall, in their mutual relations, act in conformity with the aviation security provisions established by the International Civil Aviation Organization and designated as Annexes to the Convention on International Civil Aviation to the extent that such security provisions are applicable to the Parties; they shall require that operators of aircraft of their registry or 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 that such operators of aircraft may be required to observe the aviation security provisions referred to in paragraph (3) above required by the other Contracting Party for entry into, departure from, or while within, the area of that other Contracting Party. Each Contracting Party shall ensure that adequate measures are effectively applied within its area to protect the aircraft and to inspect passengers, crew, carry-on items, baggage, cargo and aircraft stores prior to and during boarding or loading. Each Contracting Party shall also give sympathetic consideration to 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 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 thereof to the extent practicable under the circumstances.
6. Should one Contracting Party depart from the aviation security provisions of this Article, the aeronautical authorities of the other Contracting Party may request immediate consultations with the aeronautical authorities of that 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 condition of security.

Article 11

Timetables, Information and Statistics

1. The designated airline of either Contracting Party shall, not later than 30 days prior to the date of operation of any agreed service (being a scheduled air service) submit its proposed timetables to the aeronautical authorities of the other Contracting Party for their approval. Such timetables shall include all relevant information, including the type of aircraft to be used, the frequency of service and the flight schedules.
2. The aeronautical authorities of either Contracting Party shall supply to the aeronautical authorities of the other Contracting Party at their request such periodic or other statements of statistics as may be reasonably required for the purpose of record keeping. Such statements shall provide information on the amount of traffic carried by the designated airline on the agreed services and the origins and destinations of such traffic.

Article 12

Capacity Provisions

1. There shall be fair and equal opportunity for the designated airlines of both Contracting Parties to operate the agreed services on the specified routes between their respective areas and beyond.

2. In operating the agreed services, the designated airline of each Contracting Party shall take into account the interests of the designated airline of the other Contracting Party so as not to affect unduly the services which the latter provides on the whole or part of the same route.
3. On any specified route the capacity provided by the designated airline of one Contracting Party together with the capacity provided by the designated airline of the other Contracting Party shall be maintained in reasonable relationship to the requirements of the public for air transport on that route.
4. In application of the principles stated in the preceding paragraphs of this Article:
 - (a) The agreed services provided by each designated airline shall have as their primary objective the provision, at a reasonable load factor, of capacity adequate to the current and reasonably anticipated requirements for the carriage of traffic originating in the area of either Contracting Party and destined for the area of the other Contracting Party;
 - (b) The rights of the designated airline of either Contracting Party to embark and to disembark at points in the areas of the other Contracting Party international traffic destined for or coming from a non-Contracting Party shall be in accordance with the principle that such traffic will be of a supplementary character and capacity shall be related to:
 - a. The air transport needs between the point of origin and the points of destination and the air transport needs of the area through which the designated airline passes, after taking account of local and regional air services; and
 - b. The economics of through airline operations.

Article 13

Tariffs

1. For the purpose of the following paragraphs, the term "tariff" means the prices to be paid for the carriage of passengers and cargo and the conditions under which those prices apply, including prices and conditions for agency and other auxiliary services but excluding remuneration and conditions for the carriage of mail.
2. The tariff to be charged by the airline of one Contracting Party for carriage to or from the area of the other Contracting Party shall be established at reasonable levels, due regard being paid to all relevant factors, including cost of operation, reasonable profit and the tariff of other airlines.

3. The tariff referred to in paragraph 2 of this Article shall, if possible, be agreed by the designated airlines concerned of both Contracting Parties, after consultation with the other airlines operating over the whole or part of the route, and such agreement shall, wherever possible, be reached by the use of the procedures of the International Air Transport Association for the working out of tariff.
4. The tariff so agreed shall be submitted for the approval of the aeronautical authorities of both Contracting Parties at least ninety (90) days before the proposed date of their introduction. In special cases, this period may be reduced, subject to the agreement of the said authorities.
5. This approval may be given expressly; if neither of the aeronautical authorities has expressed disapproval within thirty (30) days from the date of submission, in accordance with paragraph 4 of this Article, these tariff shall be considered as approved. In the event of the period for submission being reduced, as provided for in paragraph 4, the aeronautical authorities may agree that the period within which any disapproval must be notified shall be less than thirty (30) days.
6. If a tariff cannot be agreed in accordance with paragraph 3 of this Article or if, during the period applicable in accordance with paragraph 5 of this Article, one aeronautical authority gives the other aeronautical authority notice of its disapproval of a tariff agreed in accordance with the provisions of paragraph 3 of this Article, the aeronautical authorities of the two Contracting Parties shall after consultation with the aeronautical authorities of any other non-Contracting Parties whose advice they consider useful, endeavor to determine the tariff by mutual agreement.
7. If the aeronautical authorities cannot agree on any tariff submitted to them under paragraph 4 of this Article, or on the determination of any tariff under paragraph 6 of this Article, the dispute shall be settled in accordance with the provision of Article 16 of this Agreement.
8. A tariff established in accordance with the provisions of this Article shall remain in force until a new tariff has been established. Nevertheless, a tariff shall not be prolonged by virtue of this paragraph for more than twelve (12) months after the date on which it would otherwise have expired.

Article 14

Commercial Operations

1. Each Contracting Party grants to the designated airline of the other Contracting Party the right to engage in the sale of air service in its area directly and, at the airline's discretion, through its agents. Each airline shall have the right to sell such services, and any person shall be free to purchase such services, in the currency of that area or in freely convertible currencies.

2. Each Contracting Party shall grant to the designated airline of the other Contracting Party the right to transfer of excess of receipts over expenditure earned by the airline in the area of the first Contracting party in connection with the carriage of passengers, mail and cargo, in any freely convertible currencies as permitted by the Foreign Exchange Regulations in force.

Article 15

Facilities and Airport Charges

Each Contracting Party may impose or permit to be imposed just and reasonable charges for the use of public airports and other facilities under its control, provided that such charges shall not be higher than the charges imposed for such use by its own airlines engaged in similar international services.

Article 16

Settlement of Disputes

1. Any dispute with respect to matters covered by this Agreement not satisfactorily resolved through consultation shall, upon request by either Contracting Party, be submitted to arbitration in accordance with the procedures set forth herein.
2. Arbitration shall be by a tribunal of three arbitrators to be constituted as follows:
 - (a) one arbitrator shall be named by each Contracting Party within 60 days from the date of request by either Contracting Party to the other for arbitration. Within 30 days after such period of 60 days, the two arbitrators so designated shall by agreement designate a third arbitrator, who shall not be a resident of the Macau Special Administrative Region or a national of the Islamic Republic of Pakistan and who shall act as President of the arbitral tribunal;
 - (b) if either Contracting Party fails to name an arbitrator, or if a third arbitrator is not agreed upon in accordance with paragraph (2)(a), either Contracting Party may request the President of the Council of the International Civil Aviation Organization to designate the necessary arbitrator or arbitrators within 30 days. If the President considers that he is a national of a State which cannot be regarded as neutral in relation to the dispute, the most senior Vice-President who is not disqualified on that ground shall make the appointment.
3. Except as otherwise agreed by the Contracting Parties, the arbitral tribunal shall determine the limits of its jurisdiction in accordance with this Agreement, and shall establish its own procedure. At the direction of the tribunal or at the request of

either of the Contracting Parties, a conference to determine the precise issues to be arbitrated and the specific procedures to be followed shall be held no later than 15 days after the tribunal is fully constituted.

4. Except as otherwise agreed by the Contracting Parties or prescribed by the tribunal, each Party shall submit a memorandum within 45 days of the time the tribunal is fully constituted. Replies shall be due 60 days later. The tribunal shall hold a hearing at the request of either Party or at its discretion within 15 days after replies are due.
5. The tribunal shall attempt to render a written decision within 30 days after completion of the hearing or, if no hearing is held, after the date both replies are submitted, whichever is sooner. The decision of the majority of the tribunal shall prevail.
6. The Contracting Parties may submit requests for clarification of the decision within 15 days after it is rendered and any clarification given shall be issued within 15 days of such request.
7. Each Contracting Party shall give full effect to any decision or award of the arbitral tribunal.
8. If and so long as either Contracting Party or the designated airline of either Contracting Party fails to comply with a decision given under paragraph (5) of this Article, the other Contracting Party may limit, suspend or revoke any rights or privileges which it has granted by virtue of this Agreement to the Contracting Party in default.
9. The expenses of the arbitral tribunal, including the fees and expenses of the arbitrators, shall be shared equally by the Contracting Parties.

Article 17

Consultation

1. In a spirit of close collaboration, the aeronautical authorities of both Contracting Parties shall consult each other from time to time with a view to ensuring the implementation and the compliance of the provisions of this Agreement and the annexed Route Schedule.
2. Either Contracting Party may, at any time, request consultation with the other Contracting Party in writing. Such consultation shall begin within a period of sixty (60) days from the date of receipt of the request.
3. If either of the Contracting Parties considers it desirable to modify any provision of this Agreement including the annexed Route Schedule, such modification, if

agreed between the Contracting Parties and if necessary after consultation in accordance with this Article, shall come into effect when confirmed by an exchange of letters. However, if the amendment relates only to the Route Schedule, consultation shall be between the aeronautical authorities of both Contracting Parties. When these authorities agree on any amendments, the agreed amendments shall come into force after confirmation through exchange of letters.

Article 18

Registration and Amendments

This Agreement and any amendment thereto shall be registered with the International Civil Aviation Organization.

Article 19

Termination

Either Contracting Party may at any time notify the other Contracting Party in writing of its intention to terminate this Agreement. Such notice shall be sent simultaneously to the International Civil Aviation Organization. This Agreement shall terminate one year after the date on which notice of termination is received by the other Contracting Party, unless the notice is withdrawn before the end of this period by agreement between the Contracting Parties. In the absence of acknowledgment of receipt by the other Contracting Party, notice shall be deemed to have been received fourteen days after the receipt of the notice by the International Civil Aviation Organization.

Article 20

Titles

Titles to the Articles in this Agreement are for convenience of reference only and shall not in any way affect the interpretation of the Articles.

Article 21

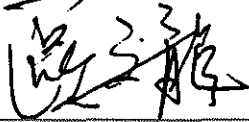
Entry into Force

The Agreement including the annexed Route Schedule which shall be deemed to be part of the Agreement shall be approved according to the legal procedural requirements of each Contracting Party and shall come into force on the day of an exchange of letter confirming that these requirements have been fulfilled.

In Witness whereof the undersigned plenipotentiaries being duly authorized there to by their respective Governments, have signed this Agreement.

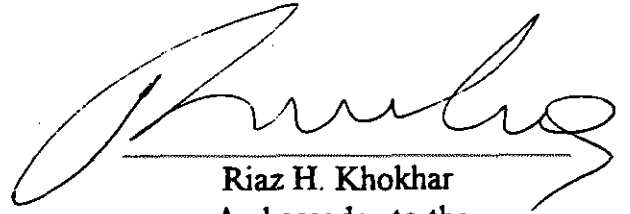
Done on this 15th day of November 2000 in duplicate at the Macau Special Administrative Region in the English language.

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



Ao Man Long
Secretary for Transports and
Public Works

For the Government of
the Islamic Republic of Pakistan



Riaz H. Khokhar
Ambassador to the
People's Republic of China

ANNEX

ROUTE SCHEDULE

1. Routes to be operated by the designated airline of the Macau Special Administrative Region:

From the Macau Special Administrative Region via two intermediate points to Karachi and two points beyond, except points in the Gulf (United Arab Emirates, Oman, Qatar and Bahrain).

2. Routes to be operated by the designated airline of the Islamic Republic of Pakistan:

From the Islamic Republic of Pakistan via two intermediate points to the Macau Special Administrative Region and two points beyond, except points in Malaysia and points other than Tokyo in Japan; Seoul in Korea is available subject to commercial arrangement between the designated airlines of the Contracting Parties.

3. Fifth freedom traffic rights would be available to the designated airlines of the Contracting Parties on the above routes.
4. Any of the points on the specified routes in this Annex may at the option of the designated airline of either Contracting Party be omitted on any or all flights, provided that these flights originate or terminate in the area of the Contracting Party designating the airline.