

5-27-98

No. 435

The Embassy of the United States of America presents its compliments to the Ministry of Foreign Relations of the Republic of Panama and has the honor to refer to the Air Transport Agreement, with annexes, signed by representatives of our two governments at Panama, Republic of Panama May 8, 1997 ("the Agreement").

The Embassy has the honor to propose on behalf of the Government of the United States of America, that annexes I and II of the Agreement be replaced with the following annexes which add seventh freedom all-cargo rights.

ANNEX I

Scheduled Air Transportation

Section 1

Routes

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

Embassy of the United States of America,

Panama, May 27, 1998.

- A. Routes for the airline or airlines designated by the Government of the United States:
 - 1. From points behind the United States via the United States and intermediate points to a point or points in the Republic of Panama and beyond.
 - 2. For all-cargo service or services, between the Republic of Panama and any point or points.

- B. Routes for the airline or airlines designated by the Government of the Republic of Panama:
 - 1. From points behind the Republic of Panama via the Republic of Panama and intermediate points to a point or points in the United States and beyond.
 - 2. For all-cargo service or services, between the United States and any point or points.

Section 2
Operational Flexibility

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

- 1. Operate flights in either or both directions;
- 2. Combine different flight numbers within one aircraft operation;

3. Serve behind, intermediate, and beyond points and points in the territories of the Parties on the routes in any combination and in any order;
4. Omit stops at any point or points;
5. Transfer traffic from any of its aircraft to any of its other aircraft at any point on the routes; and
6. Serve points behind any point in its territory with or without change of aircraft or flight number and may hold out and advertise such services to the public as through services;

without directional or geographic limitation and without loss of any right to carry traffic otherwise permissible under this Agreement; provided that, with the exception of all-cargo services, the service serves a point in the territory of the Party designating the airline.

Section 3

Change of Gauge

On any segment or segments of the routes above, any designated airline may perform international air transportation without any limitation as to change, at any point on the route, in type or number of aircraft operated; provided that, with the exception of all-cargo services, 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.

Section 4

Intermodal Services

Notwithstanding any other provision of this Agreement, airlines and indirect providers of cargo transportation of both 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 territories of the Parties or in third countries, 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.

ANNEX II
Charter Air Transportation
Section 1

Airlines of each Party designated under this Annex shall, in accordance with the terms of their designation, have the right to carry international charter traffic of passengers (and their accompanying baggage) and/or cargo (including, but not limited to, freight forwarder, split, and combination (passenger/cargo) charters):

Between any point or points in the territory of the Party that has designated the airline and any point or points in the territory of the other Party; and

Between any point or points in the territory of the other Party and any point or points in a third country or countries, provided that, except with respect to cargo charters, such service constitutes part of a continuous operation, with or without a change of aircraft, that includes service to the homeland for the purpose of carrying local traffic between the homeland and the territory of the other Party.

In the performance of services covered by this Annex, airlines of each Party designated under this Annex shall also have the right: (1) to make stopovers at any points whether within or outside of the territory of either Party; (2) to carry transit traffic through the other Party's territory; (3) to combine on the same aircraft traffic

originating in one Party's territory, traffic originating in the other Party's territory, and traffic originating in third countries; and (4) to perform international air transportation without any limitation as to change, at any point on the route, in type or number of aircraft operated; provided that, except with respect to cargo charters, 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.

Each Party shall extend favorable consideration to applications by airlines of the other Party to carry traffic not covered by this Annex on the basis of comity and reciprocity.

Section 2

Any airline designated by either Party performing international charter air transportation originating in the territory of either Party, whether on a one-way or round-trip basis, shall have the option of complying with the charter laws, regulations, and rules either of its homeland or of the other Party. If a Party applies different rules, regulations, terms, conditions, or limitations to one or more of its airlines, or to airlines of different countries, each designated airline shall be subject to the least restrictive of such criteria.

However, nothing contained in the above paragraph shall limit the rights of either Party to require airlines designated under this Annex by either Party to adhere to requirements relating to the protection of passenger funds and passenger cancellation and refund rights.

Section 3

Except with respect to the consumer protection rules referred to in the preceding paragraph above, neither Party shall require an airline designated under this Annex by the other Party, in respect of the carriage of traffic from the territory of that other Party or of a third country on a one-way or round-trip basis, to submit more than a declaration of conformity with the applicable laws, regulations and rules referred to under section 2 of this Annex or of a waiver of these laws, regulations, or rules granted by the applicable aeronautical authorities.

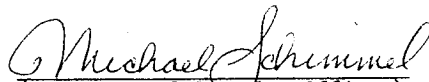
The Embassy has the further honor to propose that if this proposal is acceptable to the Government of the Republic of Panama, this note and your Excellency's note in reply shall constitute an agreement between the governments which shall enter into force on the date the Agreement enters into force.

William J. Hughes

CERTIFICATION OF TRUE COPY

REPUBLIC OF PANAMA)
PROVINCE OF PANAMA)
CITY OF PANAMA)
EMBASSY OF THE)
UNITED STATES OF)
AMERICA)

I certify that the annexed document is a true and faithful copy of the original, and that it has been carefully examined by me, compared with the said original, and found to agree with it word for word and figure for figure.


(Signature of Consular Officer)

Michael Schimmel
(Type Name of Consular Officer)

Consul of the United States
(Title of Consular Officer)

June 2, 1998
(Date)

(Seal)

Panama, May 27, 1998.