No. 19227

UNITED STATES OF AMERICA
and
YUGOSLAVIA

Air Transport Agreement (with attachment and memorandum of understandings). Signed at Washington on 15 December 1977

Authentic text: English.

Registered by the United States of America on 7 November 1980.

ÉTATS-UNIS D'AMÉRIQUE
et
YOUGOSLAVIE

Accord relatif aux transports aériens (avec tableau des routes et mémorandum d'accord). Signé à Washington le 15 décembre 1977

Texte authentique : anglais.

Enregistré par les États-Unis d'Amérique le 7 novembre 1980.

AIR TRANSPORT AGREEMENT[1] BETWEEN THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND THE GOVERNMENT OF THE SOCIALIST FEDERAL REPUBLIC OF YUGOSLAVIA

The Government of the United States of America and the Government of the Socialist Federal Republic of Yugoslavia,

Desiring to conclude an Agreement for the purpose of promoting air transportation between their respective territories,

Have agreed as follows:

Article 1. For the purpose of the present Agreement:

A. "Agreement" shall mean this Agreement and the annexed Route Schedule, and any amendments thereto.

B. "Aeronautical authorities" shall mean in the case of the United States of America, the Federal Aviation Administration with respect to the technical permission, safety and security standards and requirements referred to in Articles 3 and 6(B) respectively, otherwise the Civil Aeronautics Board, and in the case of the Socialist Federal Republic of Yugoslavia, the Federal Committee for Transportation and Communications, or in both cases, any person or body authorized to perform the functions exercised at present by those authorities.

C. "Designated airline" shall mean an airline that one Contracting Party has notified the other Contracting Party to be an airline which will operate a specific route or routes listed in the Route Schedule annexed to this Agreement. Such notification shall be communicated in writing, through diplomatic channels.

D. "Territory" in relation to the United States of America shall mean the land areas under the sovereignty, jurisdiction or trusteeship of that State, and territorial waters adjacent thereto. "Territory" in relation to the Socialist Federal Republic of Yugoslavia shall mean the land areas and territorial waters adjacent thereto under its sovereignty.

E. "Air service" shall mean any scheduled air service performed by aircraft for the public transport of passengers, mail or cargo, separately or in combination.

F. "International air service" shall mean an air service which passes through the air space over the territory of more than one State.

G. "Stop for non-traffic purposes" shall mean a landing for any purpose other than taking on or discharging passengers, cargo or mail.

H. "Tariff" shall mean the price to be charged for the public transport of passengers, baggage and cargo (excluding mail) 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 but excluding the commissions to be paid to air transportation intermediaries.

Article 2. A. Each Contracting Party grants to the other Contracting Party rights necessary for the conduct of air services by the designated airlines as follows: the rights of transit; of stops for non-traffic purposes; and of commercial entry and departure for international traffic in passengers, cargo and mail, separately or in combination, at the

[1] Applied provisionally from 15 December 1977, the date of signature, and came into force definitively on 15 May 1979, the date of an exchange of diplomatic notes indicating its approval by the Parties in compliance with their constitutional requirements, in accordance with article 19.

points in its territory named on each of the routes specified in the appropriate paragraph of the Route Schedule annexed to this Agreement.

B. Nothing in paragraph A of this Article shall be deemed to confer on the airlines of one Contracting Party the privilege of taking up, in the territory of the other Contracting Party, passengers, cargo or mail carried for remuneration or hire and destined for another point in the territory of the other Contracting Party.

Article 3. Air service on a specified route may be inaugurated by an airline or airlines of one Contracting Party at any time after that Contracting Party has designated such airline or airlines for that route and the other Contracting Party has granted the appropriate operating and technical permission. Such other Contracting Party shall, subject to Articles 4 and 6, grant this permission with a minimum of procedural delay, provided that the designated airline or airlines may be required to qualify before the competent aeronautical authorities of that Contracting Party, under the laws and regulations normally applied by those authorities, before being permitted to engage in the operations contemplated in this Agreement.

Article 4. A. Each Contracting Party reserves the right to withhold, suspend, or revoke the operating permission referred to in Article 3 of this Agreement with respect to an airline designated by the other Contracting Party, or to impose conditions on such permission, in the event that:

(1) Such airline fails to qualify under the laws and regulations normally applied by the aeronautical authorities of that Contracting Party;

(2) Such airline fails to comply with the laws and regulations referred to in Article 5 of this Agreement;

(3) In the case of the Government of the United States, it is not satisfied that the Yugoslav designated airline, as a Yugoslav organization of associated labor in the domain of air transportation, effectively controls the social property of the airline; or, in the case of the Government of the Socialist Federal Republic of Yugoslavia, it is not satisfied that substantial ownership and effective control of the United States designated airline are vested in United States nationals.

B. Unless immediate action is essential to prevent infringement of the laws and regulations referred to in Article 5 of this Agreement, the right to suspend or revoke such permission shall be exercised only after consultation with the other Contracting Party.

Article 5. A. The laws and regulations of one Contracting Party relating to the admission to or departure from its territory of aircraft engaged in international air navigation, or to the operation and navigation of such aircraft while within its territory, shall be applied to the aircraft of the airline or airlines designated by the other Contracting Party and shall be complied with by such aircraft upon entrance into or departure from and while within the territory of the first Contracting Party.

B. The laws and regulations of one Contracting Party relating to the admission to or departure from its territory of passengers, crew, cargo or mail of aircraft, such as regulations relating to entry, clearance, immigration, passports, customs, and quarantine shall be complied with by or on behalf of such passengers, crew, cargo or mail of the other Contracting Party upon entrance into or departure from, and while within, the territory of the first Contracting Party.

Article 6. A. Certificates of airworthiness, certificates of competency and licenses issued or rendered valid by one Contracting Party, and still in force, shall be recognized as valid by the other Contracting Party for the purpose of operating the routes and 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 on International Civil

Aviation.[1] Each Contracting Party reserves the right, however, to refuse to recognize, for the purpose of flight above its own territory, certificates of competency and licenses granted to its own nationals by the other Party.

B. The competent aeronautical authorities of each Party may request consultations concerning the safety and security standards and requirements relating to aeronautical facilities, operations, airmen and aircraft, which are maintained and administered by the other Party. If, following such consultations, the competent aeronautical authorities of either Party find that the other Party does not effectively maintain and administer safety and security standards and requirements in these areas that are equal to or above the minimum standards which may be established pursuant to the Convention on International Civil Aviation, they will notify the other Party of such findings and the steps considered necessary to bring the safety and security standards and requirements of the other Party to standards at least equal to the minimum standards which may be established pursuant to said Convention and the other Party will take appropriate corrective action. Each Party reserves the right to withhold or revoke the technical permission referred to in Article 3 of this Agreement with respect to an airline of the other Party, or to impose conditions on such permission, in the event the other Party does not take such appropriate action within a reasonable time. The competent aeronautical authorities of each Party shall make available to the other promptly upon request copies of pertinent standards and requirements relating to the provisions of this paragraph.

Article 7. A. Charges levied on the designated airline or airlines of one Contracting Party for the use of public airports and other facilities under the control of the other Contracting Party shall be just and reasonable, shall be consistent with the provisions of Article 15 of the Convention on International Civil Aviation, and shall not exceed those charges levied on foreign airlines engaged in similar international services.

B. Fuels, lubricating oils, consumable technical supplies, spare parts, regular equipment, and aircraft stores taken on board aircraft of the airline of one Contracting Party in the territory of the other Contracting Party, or introduced into that territory by such airlines and intended for use solely in connection with the operation or servicing of aircraft engaged in international air services under this Agreement shall be exempt on a basis of reciprocity from import restrictions, customs duties, excise taxes, inspection fees and other national duties and charges to the fullest extent possible under the national law of the Contracting Party granting the exemption. The use of such items will be subject to national regulations and procedures.

C. Aircraft of a designated airline or airlines of one Contracting Party engaged in international air services under this Agreement, as well as fuel, lubricating oils, consumable technical supplies, spare parts, regular equipment and aircraft stores on board such aircraft shall, upon arriving in or leaving the territory of the other Contracting Party, be exempt on a basis of reciprocity from customs duties, excise taxes, inspection fees, and other national duties and charges, provided that such fuel, oils, supplies, parts, equipment, and stores remain on board the aircraft or are used or consumed aboard the aircraft on flights in the territory of the Contracting Party granting the exemption.

D. The exemptions granted by this Article shall also be available in situations where the designated airline or airlines of one Contracting Party have entered into arrangements with another airline or airlines for the loan or transfer, in the territory of the other Contracting Party, of the items specified in paragraph B of this Article, provided such other airline or airlines similarly enjoy such exemptions from the other Contracting Party. The use of such items will be subject to national regulations and procedures.

[1] United Nations, *Treaty Series*, vol. 15, p. 295. For the texts of the Protocols amending this Convention, see vol. 320, pp. 209 and 217; vol. 418, p. 161; vol. 514, p. 209; vol. 740, p. 21; vol. 893, p. 117; vol. 958, p. 217; vol. 1008, p. 213, and vol. 1175, p. 297.

Article 8. There shall be a fair and equal opportunity for the airlines of each Contracting Party to operate on any route covered by this Agreement.

Article 9. In the operation by the airlines of either Contracting Party of the air services described in this Agreement, the interest of the airlines of the other Contracting Party shall be taken into consideration so as not to affect unduly the services which the latter provides on all or part of the same routes.

Article 10. A. The air services made available to the public by the airlines operating under this Agreement shall bear a close relationship to the requirements of the public for such services.

B. Services provided by a designated airline under the present Agreement shall retain as their primary objective the provisions of capacity adequate to the traffic demands between the country of which such airline is a national and the countries of ultimate destination of the traffic. The right to embark or disembark on such services international traffic destined for and coming from third countries at a point or points on the routes specified in this Agreement shall be applied in accordance with the general principles of orderly development to which both Contracting Parties subscribe and shall be subject to the general principle that capacity should be related:

(1) To traffic requirements between the country of origin and the countries of ultimate destination of the traffic;

(2) To the requirements of through airline operation; and

(3) To the traffic requirements of the area through which the airline passes, after taking account of local and regional services.

C. Neither Contracting Party shall unilaterally restrict the airline or airlines of the other Contracting Party with respect to capacity, frequency, scheduling or type of aircraft employed in connection with services over any of the routes specified in the Route Schedule. In the event that one of the Contracting Parties believes that the operations conducted by an airline of the other Contracting Party have been inconsistent with the standards and principles set forth in this Article, it may request consultations pursuant to Article 13 of this Agreement for the purpose of reviewing the operations in question to determine whether they are in conformity with said standards and principles.

Article 11. A. Both Contracting Parties are committed to expanding air transportation opportunities between the two countries. One of the most effective ways of achieving this would be by implementing innovative low-fare services which are beneficial to travelers and shippers. Both Contracting Parties will encourage airlines to explore, propose, and implement the lowest possible level of tariffs taking into account the need to improve the prosperity of the international aviation industry, whether such tariffs are filed by the airlines individually or through a recognized traffic conference.

B. All tariffs to be charged by an airline of one Contracting Party for carriage to or from the territory of the other Contracting Party shall be established at reasonable levels, due regard being paid to all relevant factors, such as costs of operation, reasonable profit, and the tariffs charged by any other airlines, as well as the characteristics of each service. Such tariffs shall be subject to the approval of the aeronautical authorities of the Contracting Parties who shall act in accordance with their obligations under this Agreement, within the limits of their legal competence.

C. Any tariff proposed to be charged by an airline of either Contracting Party for carriage to or from the territory of the other Contracting Party shall, if so required, be filed by such airline with the aeronautical authorities of the other Contracting Party at least thirty (30) days before the proposed date of introduction unless the Contracting Party with whom the filing is to be made permits filing on shorter notice. The aeronautical authorities of each Contracting Party shall use their best efforts to insure that the tariffs

charged and collected conform to the tariffs filed with either Contracting Party, and that no airline rebates any portion of such tariffs by any means, directly or indirectly, including the payment of excessive sales commissions to agents.

D. It is recognized by both Contracting Parties that, during any period for which either Contracting Party has approved the traffic conference procedures of the International Air Transport Association, or other association of international air carriers, any tariff agreements concluded through these procedures and involving an airline or airlines of that Contracting Party will be subject to the approval of the aeronautical authorities of that Contracting Party within the limits of their legal competence.

E. If a Contracting Party, on receipt of the notification referred to in paragraph C of this Article, is dissatisfied with the tariff proposed, it shall so inform the other Contracting Party at least fifteen (15) days prior to the date that such tariff would otherwise become effective, and the Contracting Parties shall endeavor to reach agreement on the appropriate tariff.

F. If a Contracting Party upon review of an existing tariff charged for carriage to or from its territory by an airline or airlines of the other Contracting Party is dissatisfied with that tariff, it shall so notify the other Contracting Party and the Contracting Parties shall endeavor to reach agreement on the appropriate tariff.

G. In the event that an agreement is reached pursuant to the provisions of paragraph E or F of this Article, each Contracting Party will exercise its best efforts to put such tariff into effect.

H. If:

(1) Under the circumstances set forth in paragraph E of this Article, no agreement can be reached prior to the date that such tariff would otherwise become effective, or

(2) Under the circumstances set forth in paragraph F of this Article, no agreement can be reached prior to the expiration of sixty (60) days from the date of notification,

then the Contracting Party raising the objection to the tariff may take such steps as it may consider necessary to prevent the inauguration or the continuation of the service in question at the tariff complained of; provided, however, that the Contracting Party raising the objection shall not require the charging of a tariff higher than the lowest tariff charged by its own airline or airlines for comparable service between the same points.

Article 12. A. Each designated airline shall have the right to establish and maintain representatives in the territory of the other Contracting Party for management, promotional, informational, and operational activities.

B. Any tariff specified in terms of the national currency of one of the Contracting Parties shall be established in an amount which reflects the effective exchange rate (including all exchange fees or other charges) at which the airlines of both Parties can convert and remit the revenues from their transport operations into the national currency of the other Party.

Article 13. A. Either Contracting Party may at any time request consultations on the interpretation, application or amendment of this Agreement or the annexed Route Schedule. Such consultations shall begin within a period of sixty (60) days from the date the other Contracting Party receives the request.

B. Should agreement be reached on amendment of this Agreement, such amendment shall come into force in the manner set forth in Article 19 of this Agreement.

C. Should agreement be reached on amendment of the Route Schedule, such agreement shall come into force on the date specified in an exchange of diplomatic notes.

Article 14. A. Any dispute with respect to matters covered by this Agreement not satisfactorily adjusted through consultation shall, upon request of either Contracting Party, be submitted to arbitration in accordance with the procedures set forth herein.

B. Arbitration shall be by a tribunal of three arbitrators constituted as follows:

(1) One arbitrator shall be named by each Contracting Party within sixty (60) days of the date of delivery by either Contracting Party to the other of a request for arbitration. Within thirty (30) days after such period of sixty (60) days, the two arbitrators so designated shall by agreement designate a third arbitrator, who shall not be a national of either Contracting Party.

(2) If either Contracting Party fails to designate an arbitrator, or if the third arbitrator is not agreed upon in accordance with paragraph (1) of this Article, either Contracting Party may request the President of the Council of the International Civil Aviation Organization to designate the necessary arbitrator or arbitrators. If the President of the Council of the International Civil Aviation Organization is a national of either Contracting Party, the most senior Vice President of the Council who is a national of a third State shall be requested to designate the above-mentioned arbitrator or arbitrators.

C. Each Contracting Party shall use its best efforts consistent with its national law to put into effect any decision or award of the arbitral tribunal.

D. Each Contracting Party shall pay the fees and expenses of the arbitrator it has nominated. The fees and expenses of the third arbitrator and of the arbitral tribunal shall be shared equally by the Contracting Parties.

Article 15. This Agreement and all amendments thereto shall be registered with the International Civil Aviation Organization.

Article 16. If a general multilateral air transport convention accepted by both Contracting Parties enters into force, the present Agreement shall be amended so as to conform with the provisions of such convention.

Article 17. Either Contracting Party may at any time give notice in writing to the other Contracting Party of its intention 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 Contracting Party, unless the notice is withdrawn before the end of this period by agreement between the Contracting Parties.

Article 18. This Agreement shall supersede the provisional arrangements concerning scheduled and nonscheduled air service as set forth in the exchange of notes dated May 14, 1976,[1] as extended by the exchange of notes dated May 17 and June 30, 1977.[2]

Article 19. This Agreement shall enter into force on the date of an exchange of diplomatic notes indicating that this Agreement has been approved by the respective Parties in accordance with their constitutional requirements.

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

DONE in duplicate, at Washington, this fifteenth day of December, 1977.

For the Government
of the United States of America:

[*Signed — Signé*][3]

For the Government
of the Socialist Federal Republic
of Yugoslavia:

[*Signed — Signé*][4]

[1] United Nations, *Treaty Series*, vol. 1052, p. 321.
[2] *Ibid.*, vol. 1113, p. 370.
[3] Signed by Julius L. Katz — Signé par Julius L. Katz.
[4] Signed by Dimče Belovski — Signé par Dimče Belovski.

ROUTE SCHEDULE

A. An airline or airlines designated by the Government of the Socialist Federal Republic of Yugoslavia shall be entitled to operate air services on each of the routes specified, in both directions, and to make scheduled landings in the territory of the United States of America at the points specified in this paragraph:

From Yugoslavia via Frankfurt, Amsterdam, and Montreal to New York.

B. An airline or airlines designated by the Government of the United States of America shall be entitled to operate air services on the routes specified, in both directions, and to make scheduled landings in the territory of the Socialist Federal Republic of Yugoslavia at the points specified in this paragraph:

From the United States via intermediate points to Zagreb and Belgrade and beyond. (Services at Zagreb may not commence before April 1, 1979.)

C. Points on any of the specified routes may, at the option of each designated airline, be omitted on any or all flights.

MEMORANDUM OF UNDERSTANDINGS RELATING TO THE AIR TRANSPORT AGREEMENT AND THE NONSCHEDULED AIR SERVICES AGREEMENT

A. The following supplementary understandings will be applied in order to assure that the Air Transport Agreement reflects an equitable exchange of opportunities for the designated airlines of each Contracting Party, after taking into account the nature of the respective markets and the commercial access which each Party is prepared to make available to the other at this time:

1. The designated airline of each Contracting Party shall continue its appointment of the designated airline of the other Contracting Party as its general sales agent in the territory of that other Contracting Party. The designated airline of Yugoslavia shall continue to appoint the designated airline of the United States as its ground handling agent at points which it serves in the United States. The designated airline of the United States shall continue to appoint Airport Belgrade and Airport Zagreb as its ground handling agents at points which it serves in Yugoslavia.

2. The Government of the Socialist Federal Republic of Yugoslavia grants the designated airline of the United States the following rights in respect of the sale of scheduled air transportation in Yugoslavia:

a. The right to sell scheduled air transportation on all of its worldwide services directly to any person for freely convertible currency using its own transportation documents and to convert and remit receipts from such sales to its home country.

b. The right to sell scheduled air transportation directly and, at its discretion, through its agents, to Yugoslav citizens for Yugoslav currency using the transportation documents of the Yugoslav designated airline for the following carriage: (1) on the direct services of the United States designated airline between Yugoslavia and the United States, (2) on its services between any point in Europe and the United States, (3) on its services between Yugoslavia and any intermediate points served in Europe, (4) on its services between Yugoslavia and countries which border on Yugoslavia and between Yugoslavia and Turkey, and (5) on the services of other United States airlines within the United States when connecting with United States designated airline services from Yugoslavia and intermediate points in Europe.

c. All other sales of scheduled air transportation by the United States designated airline in Yugoslavia shall be made through the Yugoslav designated airline and Yugoslav travel agents using the transportation documents of the Yugoslav designated airline.

d. Conversion into convertible currency of receipts from sales performed under subparagraphs (*b*) and (*c*) above shall be made by the Yugoslav designated airline and remitted to the United States designated airline through the IATA Clearing House or directly to the account of the United States designated airline with any Yugoslav bank. The United States designated airline may pay from its account with any Yugoslav bank all of its expenses in connection with its operations in Yugoslavia. Revenues in excess of local expenses may be freely remitted to the home country.

e. In no event shall the United States designated airline enjoy less favorable commercial opportunities in Yugoslavia than any other foreign airline.

3. The Government of the United States grants the designated airline of Yugoslavia the right to sell scheduled air transportation in the United States on all of its world-wide services directly and, at its discretion, through its agents, to any person using the transportation documents of the United States designated airline.

4. (*a*) The designated airline of Yugoslavia shall enjoy the right to operate on its route the following number of narrow-bodied* roundtrip frequencies, including extra sections, during each of the periods mentioned:

*Period***	*Number of narrow-bodied frequencies*
1978 summer season	135
1978/79 winter season	99
1979 summer season	180
1979/80 winter season	132
1980 summer season	180
1980/81 winter season	132

(*b*) Additional frequencies, including extra sections, will be operated only following approval by the United States authorities. Requests for additional frequencies will be made by filing the proposed schedule through diplomatic channels at least one hundred twenty (120) days but no more than one hundred eighty (180) days before its proposed effective date, and the Yugoslav authorities will be informed of the decision made by the United States authorities no later than sixty (60) days after the United States authorities receive the request. Requests for extra sections will be made by filing through diplomatic channels at least fifteen (15) days before the proposed date of operation.

5. The foregoing understandings and any other necessary matters will be reviewed in consultations between the Contracting Parties prior to March 31, 1981. If agreement to continue or to amend these understandings is not reached by that date, the Route Schedule attached to the Air Transport Agreement and the foregoing understandings will automatically terminate on that date.

B. During the review envisioned in paragraph 5 of Section A above, the Contracting Parties will discuss further the question of Yugoslav rights to operate scheduled air services to Chicago and/or Los Angeles.

*Wide-bodied aircraft may be substituted using the following ratios:

Seats	*Ratio*
201-300	1:1.5
301 above	1:2.0

** A summer season is April 1 through October 31; a winter season is November 1 through March 31.

C. The Contracting Parties agree to apply the Air Transport Agreement, the Supplementary Understandings set forth in Section A above, and the amendments to the Nonscheduled Air Services Agreement provisionally from the date of signature of these agreements.

For the United States of America:
[*Signed — Signé*][1]

For the Socialist Federal Republic of Yugoslavia:
[*Signed — Signé*][2]

Washington, December 15, 1977

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[1] Signed by Julius L. Katz — Signé par Julius L. Katz.
[2] Signed by Dimče Belovski — Signé par Dimče Belovski.