Selected
Documents No. 18

# U.S.-China Agreements

September 17, 1980

TIAS 10326

United States Department of State
*Bureau of Public Affairs*
Washington, D.C.

*Following are texts of the civil air transport agreement, ~~textile agreement,~~ maritime transport agreement, ~~and consular convention~~ signed by the United States and the People's Republic of China on September 17, 1980.*

## Civil Air Transport Agreement

AGREEMENT BETWEEN
THE GOVERNMENT OF THE
UNITED STATES OF AMERICA
AND THE GOVERNMENT OF THE
PEOPLE'S REPUBLIC OF CHINA
RELATING TO CIVIL AIR TRANSPORT

The Government of the United States of America and the Government of the People's Republic of China,

Desiring to develop mutual relations between their countries, to enhance friendship between their peoples, and to facilitate international air transport;

Acting in the spirit of the Joint Communique of December 15, 1978 on the Establishment of Diplomatic Relations between the United States of America and the People's Republic of China;

Observing the principles of mutual respect for independence and sovereignty, non-interference in each other's internal affairs, equality and mutual benefit and friendly cooperation;

Recognizing the importance of reasonable balance of rights and benefits between both Parties under this Agreement;

Being Parties to the Convention on International Civil Aviation opened for signature at Chicago on December 7, 1944;

Have agreed on the establishment and operation of air transportation involving their respective territories as follows:

ARTICLE 1
*Definitions*

For the purpose of this Agreement, the term:

(a) "Aeronautical authorities" means, in the case of the United States of America, the Civil Aeronautics Board or the Department of Transportation, whichever has jurisdiction, and in the case of the People's Republic of China, the General Administration of Civil Aviation of China, or in either case any other authority or agency empowered to perform the functions now exercised by the said authorities;

(b) "Agreement" means this Agreement, its annexes, and any amendments thereto;

(c) "Convention" means the Convention on International Civil Aviation, opened for signature at Chicago on December 7, 1944, including

- any amendment which 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 annex or amendment is effective for both Parties;

(d) "Airline" means any air transport enterprise offering or operating international air services;

(e) "Designated airline" means an airline designated and authorized in accordance with Article 3 of this Agreement;

(f) "Air service" means scheduled air service performed by aircraft for the public transport of passengers, baggage, cargo or mail, separately or in combination, for remuneration or hire;

(g) "International air service" means an air service which passes through the air space over the territory of more than one State;

(h) "Stop for non-traffic purposes" means a landing for any purpose other than taking on or discharging passengers, baggage, cargo or mail.

ARTICLE 2

*Grant of Rights*

(1) Each Party grants to the other Party the rights specified in this Agreement to enable its designated airline(s) to establish and operate scheduled air services on the route(s) specified in Annex I to this Agreement. Such route(s) and services shall hereinafter be referred to as "the specified route(s)" and "the agreed services" respectively.

(2) Subject to the provisions of the Agreement, the designated airline(s) of each Party, while operating the agreed services on the specified route(s), shall enjoy the following rights:

(a) to make stops at points on the specified route(s) in the territory of the other Party for the purpose of taking on board and discharging international traffic in passengers, baggage, cargo and mail; and

(b) subject to the approval of the aeronautical authorities of the other Party, to make stops for non-traffic purposes at points on the specified route(s) in the territory of the other Party.

(3) Nothing in paragraph (2)(a) of this Article shall be deemed to confer on the designated airline(s) of one Party the right of taking on at one point in the territory of the other Party traffic in passengers, baggage, cargo or mail destined for another point in the territory of the other Party (stopover and cabotage traffic), except the non-revenue traffic in personnel of such airline(s), their families, baggage and household effects, articles used by the representative offices of such airline(s) and aircraft stores and spare parts of such airline(s) for use in the operation of the agreed services. Any exchange of rights between the Parties to allow the designated airline(s) of either Party to carry on-line stopover traffic between the points on the specified route(s) in the territory of the other Party shall be subject to consultations at an appropriate time in the future.

(4) The operation of the agreed services by the designated airline(s) on routes over third countries shall be conducted on routes available to the airlines of both Parties, unless otherwise agreed.

(5) Charter air transportation shall be governed by the provisions of Annex II.

ARTICLE 3

*Designation and Authorization*

(1) Each Party shall have the right to designate in writing through diplomatic channels to the other Party two airlines to operate the agreed services on the specified route(s), and to withdraw or alter such designations. In the operation of the agreed services, the designated airlines may operate combination or all-cargo service or both.

(2) Substantial ownership and effective control of an airline designated by a Party shall be vested in such Party or its nationals.

(3) The aeronautical authorities of the other Party may require an airline designated by the first Party to satisfy them that it is qualified to fulfill the conditions prescribed under the laws and regulations normally applied to the operation of international air services by the said authorities.

(4) On receipt of such designation the other Party shall, subject to the provisions of paragraphs (2) and (3) of this Article and of Article 7, grant to the airline so designated the appropriate authorizations with minimum procedural delay.

(5) When an airline has been so designated and authorized it may commence operations on or after the date(s) specified in the appropriate authorizations.

ARTICLE 4

*Revocation of Authorizations*

(1) Each Party shall have the right to revoke, suspend, or to impose such conditions as it may deem necessary on the appropriate authorizations granted to a designated airline of the other Party where:

(a) it is not satisfied that substantial ownership and effective control of that airline are vested in the Party designating the airline or its nationals; or

(b) that airline fails to comply with the laws and regulations of the Party granting the rights specified in Article 2 of this Agreement; or

(c) that other Party or that airline otherwise fails to comply with the conditions as set forth under this Agreement.

(2) Unless immediate revocation, suspension or imposition of the conditions mentioned in paragraph (1) of this Article is essential to prevent further non-compliance with subparagraphs 1(b) or (c) of this Article, such rights shall be exercised only after consultations with the other Party.

ARTICLE 5

*Application of Laws*

(1) The laws and regulations of each Party relating to the admission to, operation within and departure from its territory of aircraft engaged in the operation of international air service shall be complied with by the designated airline(s) of the other Party, while entering, within, and departing from the territory of the first Party.

(2) The laws and regulations of each Party relating to the admission to, presence within, and departure from its territory of passengers, crew, baggage, cargo and mail shall be applicable to the designated airline(s) of the other Party, and the passengers, crew, baggage, cargo and mail carried by such airline(s), while entering, within and departing from the territory of the first Party.

(3) Each Party shall promptly supply to the other Party at the latter's request the texts of the laws and regulations referred to in paragraphs (1) and (2) of this Article.

ARTICLE 6

*Technical Services and Charges*

(1) Each Party shall designate in its territory regular airports and alternate airports to be used by the designated airline(s) of the other Party for the operation of the agreed services, and shall provide the latter with such communications, navigational, meteorological and other auxiliary services in its territory as are required for the operation of the agreed services, as set forth in Annex III to this Agreement.

(2) The designated airline(s) of each Party shall be charged for the use of airports, equipment and technical services of the other Party at fair and reasonable rates. Neither Party shall impose on the designated airline(s) of the other Party rates higher than those imposed on any other foreign airline operating international air service.

(3) All charges referred to in paragraph (2) of this Article imposed on the designated airline(s) of the other Party may reflect, but shall not exceed, an equitable portion of the full economic cost of providing the facilities or services in question. Facilities and services for which charges are levied shall be provided on an efficient and economic basis. Reasonable notice shall be given prior to changes in charges. Each Party shall encourage consultations between the competent charging authorities in its territory and the airline(s) using the services and facilities, and shall encourage the competent charging authorities and the airline(s) to exchange such information as may be necessary to permit an accurage review of the reasonableness of the charges.

ARTICLE 7

*Safety*

(1) Mutually acceptable aeronautical facilities and services shall be provided by each Party for the operation of the agreed services, which facilities and services shall at least equal the minimum standards which may be established pursuant to the Convention, to the extent that such minimum standards are applicable.

(2) Each Party shall recognize as valid, for the purpose of operating the agreed services, certificates of airworthiness, certificates of competency, and licenses issued or rendered valid by the other Party and still in force, provided that the requirements for such certificates or licenses at least equal the minimum standards which may be established pursuant to the Convention. Each Party may, however, refuse to recognize as valid, for the purpose of flight above its own territory, certificates of competency and licenses granted to or rendered valid for its own nationals by the other Party.

(3) Each Party may request consultations concerning the safety and security standards maintained by the other Party relating to aeronautical facilities and services, crew, aircraft and operations of the designated airlines. If, following such consultations, one Party is of the view that the other Party does not effectively maintain and administer safety and security standards and requirements in these areas that at least equal the minimum standards which may be established pursuant to the Convention, to the extent that they are applicable, the other Party shall be informed of such views together with suggestions for appropriate action. Each Party reserves its rights under Article 4 of this Agreement.

ARTICLE 8

*Aviation Security*

The Parties reaffirm 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. The Parties agree to implement appropriate aviation security measures and to provide necessary aid to each other with a view to preventing hijackings and sabotage to aircraft, airports and air navigation facilities and threats to aviation security. When incidents or threats of hijackings or sabotage against aircraft, airports or air navigation facilities occur, the Parties shall assist each other by facilitating communications intended to terminate such incidents rapidly and safely. Each Party shall give sympathetic consideration to any request from the other Party for special security measures for its aircraft or passengers to meet a particular threat.

ARTICLE 9

*Representative Offices*

(1) For the operation of the agreed services on the specified route(s), the designated airline(s) of each Party shall have the right to set up representative offices at the points on the specified route(s) within the territory of the other Party. The staff of the representative offices referred to in this paragraph shall be subject to the laws and regulations in force in the country where such offices are located.

(2) Each Party shall to the maximum extent practicable ensure the safety of the representative offices and their staff members of the designated airline(s) of the other Party, as well as safeguard their aircraft, stores, and other properties in its territory for use in the operation of the agreed services.

(3) Each Party shall extend assistance and facilities to the representative offices and their staff members of the designated airline(s) of the other Party as necessary for the efficient operation of the agreed services.

(4) The designated airline(s) of each Party shall have the right to convert and remit to its country at any time on demand local revenues in excess of sums locally disbursed. Conversion and remittance shall be effected without restrictions at the prevailing rate of exchange in effect for current transactions and remittance and shall be exempt from taxation on the basis of reciprocity. Wherever the payments system between the Parties is governed by a special agreement, that special agreement shall apply.

ARTICLE 10

*Personnel*

(1) The crew members of the designated airline(s) of either Party on flights into and out of the territory of the other Party shall be nationals of the Party designating such airline(s). If a designated airline of either Party desires to employ crew members of any other nationality on flights into and out of the territory of the other Party, prior approval shall be obtained from that other Party.

(2) The staff of the representative offices of the designated airline(s) of each party in the territory of the other Party shall be nationals of either Party, unless otherwise agreed. The number of such staff shall be subject to the approval of the competent authorities of both Parties. Each designated airline shall be permitted such number of staff as is adequate to perform the functions described in this Agreement associated with the provision of the agreed services, and in no event shall be less than that permitted to any foreign airline performing comparable services. Each Party shall by diplomatic note notify the other Party of the authorities which shall be considered the competent authorities for purposes of this paragraph.

ARTICLE 11

*Market Access*

(1) Matters relating to ground handling pertaining to the operation of the agreed services may be agreed upon between the airlines of both Parties, subject to the approval of the aeronautical authorities of both Parties.

(2) The sale, in the territory of each Party, of air transportation on the agreed services of the designated airline(s) of the other Party shall be effected through a general sales agent(s). The designated airline(s) of each Party shall serve as general sales agent(s) for the designated airline(s) of the other Party unless such airline(s) is offered and declines such agency. The terms and conditions of each general sales agency agreement shall be subject to the approval of the aeronautical authorities of both Parties. The Parties shall ensure that, if either Party designates a second airline for provision of the agreed services, both designated airlines shall be given the opportunity to act as general sales agents for the designated airline(s) of the other Party on the same terms and conditions.

(3) Notwithstanding paragraph (2) of this Article, the designated airline(s) of each Party, in its representative office(s) in the territory of the other Party, may sell air transportation on the agreed services and on all of its other services, directly or through the agents of its own appointment. Any person shall be free to purchase such transportation in the currency of that territory or, in accordance with applicable law, in foreign exchange certificates or freely convertible currencies. In addition the representative office(s) may be used for management, informational, and operational activities of the designated airline(s).

(4) The general sales agent for a designated airline appointed in accordance with paragraph (2) of this Article shall be responsive to the preferences expressed by the traveling and shipping public regarding airline selection, class of services and other related matters.

ARTICLE 12

*Capacity and Carriage of Traffic*

(1) The designated airlines of both Parties shall be permitted to provide capacity in operating the agreed services as agreed by the Parties and set forth in Annex V of the Agreement. Within two and one-half years after the commencement of any agreed service under this Agreement, the Parties shall consult with a view to reaching a new agreement which shall apply to the provision of capacity.

(2) In keeping with the principles set forth in the Preamble to this Agreement, each Party shall take all appropriate action to ensure that there exist fair and equal rights for the designated airlines of both Parties to operate the agreed services on the specified routes so as to achieve equality of opportunity, reasonable balance and mutual benefit.

(3) The agreed services to be operated by the designated airlines of the Parties shall have as their primary objective the provision of capacity adequate to meet the traffic requirements between the territories of the two Parties. The right to embark on or disembark from such services international traffic destined for or coming from points in third countries shall be subject to the general principle that capacity shall be related to:

(a) traffic requirements to and from the territory of the Party which has designated the airline and traffic requirements to and from the territory of the other Party;

(b) the requirements of through airline operation; and

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

(4) Each Party and its designated airline(s) shall take into consideration the interests of the other Party and its designated airline(s) so as not to affect unduly the services which the latter provides.

(5) If, after a reasonable period of operation, either Party believes that a service by a designated airline of the other Party is not consonant with any provision of this Article, the Parties shall consult promptly to settle the matter in a spirit of friendly cooperation and mutual understanding.

(6) If, at any time, either Party is of the view that traffic is not reasonably balanced, that Party may request consultations with the other Party for the purpose of remedying the imbalanced situation in a spirit of friendly cooperation and equality and mutual benefit.

ARTICLE 13

*Pricing*

(1) Each Party may require the filing with its aeronautical authorities of fares to be charged for transportation of passengers to and from its territory. Such filing shall be made sixty (60) days prior to the date on which the fares are proposed to go into effect. In addition, the aeronautical authorities of both Parties agree to give prompt and sympathetic consideration to short-notice filings. If the competent authorities of a Party are dissatisfied with a fare, they shall notify the competent authorities of the other Party as soon as possible, and in no event more than thirty (30) days after the date of receipt of the filing in question. The competent authorities of either Party may then request consultations which shall be held as soon as possible, and in no event more than thirty (30) days after the date of receipt of the request by the competent authorities of the other Party. If agreement is reached during consultations, the competent authorities of each Party shall ensure that no fare inconsistent with such agreement is put into effect. If agreement is not reached during consultations, the fare in question shall not go into effect, and the fare previously in force shall remain effective until a new fare is established.

(2) If the competent authorities do not express dissatisfaction within thirty (30) days after the date of receipt of the filing of a fare made in accordance with paragraph (1) above, it shall be considered as approved.

(3) Notwithstanding paragraph (1) above, each Party shall permit any designated airline to file and institute promptly, using short-notice procedures, if necessary, a fare for scheduled passenger services between a point or points in the United States of America and a point or points in the People's Republic of China, provided that:

(a) the fare is subject to terms and conditions as agreed in Annex IV to this Agreement, and such fare would not be less than 70 percent of the lowest normal economy fare approved for sale by any designated airline for travel between the same point or points in the United States of America and the same point or points in the People's Republic of China; or

(b) the fare on the specified route(s) (hereinafter, the matching fare) represents a reduction of an approved fare but is not below any approved fare or any combination of fares, whether or not approved, for the provision of international air service between the United States of America and the People's Republic of China (hereinafter, the matched fare), and is subject to similar terms and conditions as the matched fare, except those conditions relating to routing, connections, or aircraft type, provided that:

(i) if the matched fare is for services provided in whole or in part by a designated airline over the specified route(s), the designated airline(s) of the other Party shall be permitted to institute a matching fare over the specified route(s);

(ii) if the matched fare is for services provided in whole or in part by a designated airline over a route(s) other than the specified route(s), the designated airline(s) of the other Party shall be permitted to institute a matching fare over the specified route(s) which is not less than 70 percent of the lowest comparable approved fare, excluding discount fares;

(iii) if the matched fare is offered solely by a non-designated airline(s) over the specified route(s), a designated airline shall be permitted to institute a matching fare over the specified route(s) which is not less than 70 percent of the lowest comparable approved fare, excluding discount fares; and,

(iv) if the matched fare is offered solely by a non-designated airline(s) over a route other than the specified route(s), a designated airline shall be permitted to institute a matching fare over the specified route(s) which is not less than 80 percent of the lowest comparable approved fare, excluding discount fares.

The Parties shall review the practice of matching of fares before the end of three years after commencement of any agreed service.

Each Party also agrees to apply subparagraph (b), *mutatis mutandis*, to fares of the designated airline(s) of the other Party for the provision of international air service between the territory of the first Party and a third country.

If, under the terms of subparagraph (b), a designated airline institutes a lower normal economy fare than the fare, or fares, put into effect pursuant to paragraph (1) of this Article, the normal economy fare for the purpose of establishing the 30 percent zone of pricing flexibility set forth in subparagraph (a) shall remain unchanged absent mutual agreement of both Parties.

Nothing in subparagraph (a) or (b) shall be construed as requiring a designated airline to institute any specific fare.

(4) (a) Each Party may require the filing with its aeronautical authorities of rates to be charged for transportation of cargo to and from its territory by the designated airline(s) of the other Party. Such filing shall be made forty-five (45) days prior to the date on which the rates are proposed to go into effect. In addition, the aeronautical authorities of both Parties agree to give prompt and sympathetic consideration to short-notice filings of the designated airlines.

(b) The competent authorities of each Party shall have the right to disapprove cargo rates. Notices of disapproval shall be given within twenty-five (25) days after receipt of the filing. A rate which has been disapproved shall not go into effect, and the rate previously in force shall remain effective until a new rate is established.

(c) A Party shall not require the designated airline(s) of the other Party to charge rates different from those it authorizes for its own airline(s) or those of other countries.

(5) Notwithstanding the provisions of this Article, each Party shall permit any designated airline to file and institute promptly, using short-notice procedures, if necessary, a fare or rate identical to that offered by any other designated airline in accordance with the provisions of this Article for transportation between the same points and subject to comparable terms and conditions.

(6) Each Party shall by diplomatic note notify the other Party of the authorities which shall be considered the competent authorities for purposes of this Article.

## ARTICLE 14

### *Customs Duties and Taxes*

(1) Aircraft of the designated airline(s) of either Party engaged in the operation of the agreed services, as well as their regular equipment, spare parts, fuel, oils (including hydraulic fluids), lubricants, aircraft stores (including food, beverages, liquor, tobacco and other products for sale to or use by passengers in limited quantities during the flight) and other items intended for or used solely in connection with the operation or servicing of the aircraft, which are retained on board such aircraft shall be exempt on the basis of reciprocity from all customs duties, inspection fees and other national charges on arrival in and departure from the territory of the other Party.

(2) The following shall also be exempt on the basis of reciprocity from all customs duties, inspection fees and other national charges, with the exception of charges based on the actual cost of the service provided:

(a) aircraft stores introduced into or supplied in the territory of a Party and taken on board, within reasonable limits, for use on aircraft of a designated airline of the other Party engaged in the operation of the agreed services, even when these stores are to be used on a part of the journey performed over the territory of the Party in which they are taken on board;

(b) ground equipment and spare parts including engines introduced into the territory of a Party for the servicing, maintenance or repair of aircraft of a designated airline of the other Party used in the operation of the agreed services; and

(c) fuel, lubricants and consumable technical supplies introduced into or supplied in the territory of a Party for use in an aircraft of a designated airline of the other Party engaged in the operation of the agreed services, even when these supplies are to be used on a part of the journey performed over the territory of the Party in which they are taken on board.

(3) Aircraft stores, equipment and supplies referred to in paragraph (1) of this Article retained on board the aircraft of the designated airline(s) of either Party engaged in the operation of the agreed services may be unloaded in the territory of the other Party with the approval of the customs authorities of that other Party. The aircraft stores, equipment and supplies unloaded, as well as aircraft stores, equipment and supplies introduced into the territory of the other Party referred to in paragraph (2) of this Article, shall be subject to the supervision or control of the said authorities, and if required to fair and reasonable storage charges, up to such time as they are re-exported or otherwise disposed of in accordance with the regulations of such authorities.

(4) The exemptions provided for by this Article shall also be available where a designated airline of one Party has contracted with another airline, which similarly enjoys such exemptions from the other Party, for the loan in the territory of the other Party of the items specified in paragraphs (1) and (2) of this Article. The treatment by a Party of a sale of any such item within its territory shall be determined by agreement of the Parties.

(5) Each Party shall use its best efforts to secure for the designated airline(s) of the other Party, on the basis of reciprocity, an exemption from taxes, charges and fees imposed by state or provincial, regional and local authorities on the items specified in paragraphs (1) and (2) of this Article, as well as an exemption from fuel through-put charges, in the circumstances designated in this Article, with the exception of charges based on the actual cost of the services provided.

## ARTICLE 15

### *Provision of Statistics*

The aeronautical authorities of both Parties will consult from time to time concerning, and will provide, as agreed, statistics of traffic carried on the agreed services between the two countries.

## ARTICLE 16

### *Consultations*

(1) The Parties shall ensure the correct implementation of, and satisfactory compliance with, the provisions of this Agreement in a spirit of close cooperation and mutual support. To this end, the aeronautical authorities of the

Parties shall consult each other from time to time.

(2) Either Party may, at any time, request consultations relating to this Agreement. Such consultations shall begin at the earliest possible date, in no event later than sixty (60) days from the date the other Party receives the request unless otherwise agreed.

(3) If any dispute arises between the Parties relating to the interpretation or application of this Agreement, the Parties shall, in a spirit of friendly cooperation and mutual understanding, settle it by negotiation or, if the parties so agree, by mediation, conciliation, or arbitration.

ARTICLE 17

*Modification or Amendment*

(1) If either of the Parties considers it desirable to modify or amend any provision of this Agreement or its annexes, it may at any time request consultations with the other Party, and such consultations shall begin within a period of ninety (90) days from the date of receipt of the request by the other Party unless both Parties agree to an extension of this period.

(2) Any modification or amendment to this Agreement or its annexes agreed upon as a result of the consultations referred to in paragraph (1) of this Article shall come into force when it has been confirmed by an exchange of notes through diplomatic channels.

ARTICLE 18

*Entry into Force and Termination*

This Agreement shall enter into force on the date of its signature and shall remain in force for three years. Thereafter, it shall continue in force but may be terminated by either Party by giving twelve months' written notice to the other Party of its intention to terminate.

DONE at Washington, this seventeenth day of September 1980 in duplicate, each copy in the English and Chinese languages, both texts being equally authentic.

FOR THE GOVERNMENT OF THE UNITED STATES OF AMERICA:

JIMMY CARTER

FOR THE GOVERNMENT OF THE PEOPLE'S REPUBLIC OF CHINA:

BO YIBO

## ANNEX I

### I. First Route

A. *For the United States of America:*

The first airline designated by the United States of America shall be entitled to operate the agreed services on the following route, in both directions:

New York, San Francisco, Los Angeles, Honolulu, Tokyo or another point in Japan, Shanghai, Beijing.

B. *For the People's Republic of China:*

The first airline designated by the People's Republic of China shall be entitled to operate the agreed services on the following route, in both directions:

Beijing, Shanghai, Tokyo or another point in Japan, Honolulu, Los Angeles, San Francisco, New York. Anchorage may be utilized as a technical stop in both directions on this route.

### II. Second Route

The Parties shall consult during the first two years following the commencement of any agreed service to decide on a route for operation by the second designated airline of each Party. If the Parties have been unable to agree upon a second route by the end of the second year, the second designated airline of each Party shall be entitled to commence operation of the agreed services on the first route in both directions, and to operate such services thereafter until the Parties agree upon a second route. In such circumstances, the Parties shall continue to consult and to exercise their maximum effort to reach agreement upon a second route, it being understood that the establishment of a second route is a mutually shared objective of both Parties. In the meantime, the Parties shall take overall review of the specified routes.

### III. Extra Section

In case any of the designated airline(s) of either Party desires to operate additional sections on its specified route(s), it shall submit application to the aeronautical authorities of the other Party three (3) days in advance of such operation, and the additional sections can be commenced only after approvals have been obtained therefrom.

### Notes

(1) On or after the effective date of this Agreement, each Party is entitled to designate one airline for operation of the agreed services. Beginning two years after the commencement of any agreed service, a second designated airline of each Party may also commence the operation of the agreed services. If either Party does not designate a second airline, or if its second designated airline does not commence or ceases to operate any service, that Party may authorize its first designated airline to operate the agreed services in all respects as if it were also designated as a second airline.

(2) Each designated airline may at its option omit any point or points on the above routes on any or all flights in either or both directions, provided, however, that the agreed service it operates begins or terminates at a point on the specified route in the territory of the Party designating the airline.

(3) Before operation of service through another point in Japan, referred to in Section I of this Annex, that point shall be agreed upon by the Parties. If a designated airline of either Party desires to change the point served in Japan, that airline shall furnish six (6) months' notice to the aeronautical authorities of the other Party. Such change shall be subject to the concurrence of that other Party.

(4) Subject to the provisions of Annex V, the designated airline(s) of each Party may make a change of gauge in the territory of the other Party or at an intermediate point or points on the specified route(s) provided that:

(a) operation beyond the point of change of gauge shall be performed by an aircraft having capacity less, for outbound services, or more, for inbound services, than that of the arriving aircraft.

(b) aircraft for such operations shall be scheduled in coincidence with the outbound or inbound aircraft, as the case may be, and may have the same flight number; and

(c) if a flight is delayed by operational or mechanical problems, the onward flight may operate without regard to the conditions in subparagraph (b) of this paragraph.

## ANNEX II

### Charter Air Transportation

(1) In addition to the operation of the agreed services by the designated airlines of the two Parties, any airline(s) of one Party may request permission to operate passenger and/or cargo (separately or in combination) charter flights between the territories of the Parties as well as between a third country and the territory of the Party to which the requests are addressed. Each Party may provide to the other Party by diplomatic note a list of airlines qualified under the laws of the first Party to provide charter air transportation.

(2) The application for charter flight(s) shall be filed with the aeronautical authorities of the other Party at least fifteen (15) days before the anticipated flight(s). The flight(s) can be operated only after permission has been obtained. Permission shall be granted without undue delay in the spirit of equality of opportunity for the airlines of both Parties to operate international charter air transportation, mutual benefit and friendly cooperation.

(3) The aeronautical authorities of each Party shall minimize the filing requirements and other administrative burdens applicable to charterers and airlines of the other Party. In this connection, the charterers and airline of a Party shall not be required by the other Party to submit more than the following information in support of a request for permission to operate a charter flight or series of flights:

(a) Purpose of flight;

(b) Nationality of registration, owner and operator of aircraft;

(c) Type of aircraft;

(d) Either (i) identification marks and call signs of the aircraft, or (ii) flight number;

(e) Name of captain and number of crew members;

(f) The proposed flight plan (the air route, date, hours and destination);

(g) The identity of the charterer or charterers;

(h) The number of passengers, and/or the weight of cargo, on board; and

(i) The price charged by the airline to each charterer.

The information contained in the application for charter flight(s) and required by subparagraphs (d), (e) and (h) may be changed,

subject to notification prior to each flight. Such changes shall be contained in the flight plan.

(4) In the event that either Party should have reasons to disapprove a particular charter flight or series of charter flights, it shall, under normal circumstances, give timely notification of the reasons therefor, and the applicant may, where appropriate, resubmit an application for approval of the requested flight or flights.

(5) Neither Party shall require the filing by airlines of the other Party of prices charged to the public for charter transportation originating in the territory of the other Party, or a third country.

(6) The provisions of articles 2(4), 4, 5, 6, 7, 8, 9(2) and (4), 10, 11(1), and 14 and Annex III of this Agreement shall apply, *mutatis mutandis*, to charter air transportation.

## ANNEX III

### Technical Services

### I. Airports for Scheduled Service

(1) In accordance with Article 6, paragraph (1) of this Agreement, airlines designated by the Government of the People's Republic of China are assigned the following regular and alternate airports in the United States:

*Regular Airports*

New York, New York:
JFK International Airport
Los Angeles, California:
Los Angeles International Airport
San Francisco, California:
San Francisco International Airport
Honolulu, Hawaii:
Honolulu International Airport
Anchorage, Alaska:
Anchorage International Airport

*Alternate Airports*

Baltimore, Maryland:
Baltimore-Washington International Airport
Boston, Massachusetts:
Logan International Airport
Newark, New Jersey:
Newark International Airport
Philadelphia, Pennsylvania:
Philadelphia International Airport
Pittsburgh, Pennsylvania:
Greater Pittsburgh Airport
Moses Lake, Washington:
Grant County Airport
Oakland, California:
Metropolitan Oakland International Airport
Ontario, California:
Ontario International Airport
Stockton, California:
Stockton Metropolitan Airport
Hilo, Hawaii:
Hilo International/General Lyman Airport
Seattle, Washington:
Sea-Tac International Airport
Kansas City, Kansas:
Kansas City International Airport
Fairbanks, Alaska:
Fairbanks International Airport
Washington, D.C.:
Dulles International Airport

(2) In accordance with Article 6, paragraph (1) of this Agreement, airlines designated by the Government of the United States of America are assigned the following regular and alternate airports in China:

*Regular Airports*

Beijing:
Capital Airport
Shanghai:
Hongqiao Airport

*Alternate Airports*

Guangzhou:
Baiyun Airport
Hangzhou:
Jianqiao Airport
Tianjin:
Zhangguizhuang Airport

### II. Airports for Charter Air Transportation

Aircraft of the airline(s) of each Party engaged in the operation of charter air transportation approved by the aeronautical authorities of the other Party may utilize airports appropriately identified in the Aeronautical Information Publication of that other Party as available for international flights, and such other airports as may be approved by such aeronautical authorities.

### III. Air Routes

All flight operations by aircraft of the designated airline(s) of one Party operated in the airspace of the other Party shall be over established airways/prescribed routes or as cleared by the appropriate air traffic control service. Each Party will make reasonable efforts to ensure that air routes entering and within their sovereign airspace are as direct as practicable in the interest of economy, efficiency and fuel conservation, including the establishment of arrangements with controlling authorities of adjacent airspace as appropriate.

### IV. Aeronautical Information

(1) The aeronautical authorities of both Parties shall provide each other with their Aeronautical Information Publication.

(2) Amendments and additions to the Aeronautical Information Publication shall be sent promptly to the aeronautical authorities of the other Party.

(3) The International NOTAM Code shall be used in the transmission of Notices to Airmen (NOTAMs). When the NOTAM code is not suitable, plain English shall be used. Urgent NOTAMs shall be transmitted by the quickest available means to the aeronautical authorities of the other Party.

(4) Aeronautical information and NOTAMs shall be made available in the English language.

### V. Meteorological Services

Mutually acceptable meteorological service shall be provided in accordance with standards and recommended practices, to the extent to which they are applicable, developed pursuant to the Convention of the World Meterological Organization and International Civil Aviation Organization.

### VI. Radio Navigation and Communication

(1) For the operation of agreed services on the specified routes, the Parties recognize the requirement for the establishment of point-to-point aeronautical communications between the two countries. The Parties shall hold consultations as to the measures and procedures for the establishment of such communications.

(2) The English language and internationally accepted codes and procedures in force shall be applied in air-ground and point-to-point communications.

## ANNEX IV

### Conditions of Discount Fares

Discount fares within the zone of pricing flexibility described in paragraph (3) of Article 13 of this Agreement shall be subject to conditions of the type generally applicable to same or similar fares in other international air transportation markets. Such discount fares shall be subject to conditions in not less than four of the following categories:

- Round trip requirements;
- Advance-purchase requirements;
- Minimum-Maximum length of stay requirements;
- Stopover restrictions;
- Stopover charges;
- Transfer limitations;
- Cancellation refund penalties;
- Group size restrictions;
- Return travel conditions;
- Ground package requirements.

## ANNEX V

### Capacity and Carriage of Traffic

(1) The Parties agree that each designated airline shall have the right to operate two frequencies per week. If a Party does not designate a second airline, its first designated airline shall, upon the commencement of service by the second airline of the other Party or upon the passage of two years from the commencement of any agreed service, whichever is earlier, be entitled to add to its operation two frequencies per week. For purposes of this Agreement a frequency is: one (1) round trip flight of an aircraft having a maximum certificated take-off gross weight not less than 710,000 pounds but not more than 800,000 pounds; one and one-half (1½) round trip flights of an aircraft having a maximum certified take-off gross weight equal to or greater than 430,000 pounds but less than 710,000 pounds; and two (2) round trip flights of an aircraft having a maximum certificated take-off gross weight less than 430,000 pounds. If a designated airline uses only aircraft having a maximum certificated take-off gross weight of less than 710,000 pounds, it shall be entitled to one additional round trip flight of an all-freight configured aircraft having a maximum certificated take-off gross weight of less than 430,000 pounds for every two frequencies. All unused frequencies may be accumulated by a designated airline and used at its discretion at any time. Any increase in frequencies during the

first three years after commencement of any agreed service in excess of the frequencies as mentioned above shall be subject to prior consultation and agreement between the Parties.

(2) With a view to realizing the objectives set forth in Article 12, paragraph (2), the Parties agree that there should be a reasonable balance of the traffic carried by their respective designated airline(s) on the specified route(s) in terms of number of passengers and tons of cargo taken up and put down in the territory of the other Party.

The consultations referred to in Article 12, paragraph (6) shall take place as soon as possible, and in no event later than thirty (30) days following the date of receipt of the request by the latter Party. The Parties shall undertake to reach agreement within thirty (30) days as to effective measures for remedying the imbalanced situation and fully implement such agreed measures. In considering the measures to be undertaken, the Parties shall take into account all relevant factors, including commercial decisions of the designated airlines, load factors and actions of third parties. In case the agreed measures fail to remedy the imbalance within three months after their implementation, the Parties shall meet together to look into the cause of such failure and agree upon measures for remedying the imbalanced situation. In case the Parties fail to reach agreement on effective remedial measures, they shall look into the cause of the imbalance and consider amendments to this Agreement which may be required to eliminate such cause.

(3) The provision of paragraph (2) of this Annex is valid for three years from the date of commencement of any service under this Agreement. Not later than six months prior to the end of this three-year period, the Parties shall consult with a view to agreeing to the means to achieve reasonable balance of traffic referred to in paragraph (2) of this Annex.

Beijing
September 8, 1980

Mr. Lin Zheng
Leader
Civil Aviation Delegation
of the Government of China

Dear Mr. Lin:

I have the honor to refer to the Agreement between the Government of the United States of America and the Government of the People's Republic of China relating to Civil Air Transport initialed today by our two governments. During the course of negotiations leading to the initialing of the Agreement, both sides discussed questions relating to the conduct of business in the territory of the other Party and other operational matters of the designated airlines. I understand that agreement was reached that the designated airline(s) of each Party shall have, in the territory of the other Party, the rights and privileges as set forth below:

1. With respect to the representative offices(s) referred to in Article 11, paragraph (3) of the Agreement, the designated airline(s) of each Party shall have:

(a) the right to issue, reissue, reconfirm and exchange tickets for transportation on the agreed services, for connecting air services, and for transportation over any other route or routes outside of the agreed services which are operated by such airline(s); and

(b) the right to make, reconfirm, or change reservations for passengers wishing to travel over the routes of such airline(s) whether or not such reservations are for transportation on the agreed services.

2. The designated airline(s) of each Party shall also have the right to import, maintain, store, and distribute informational materials (including, but not limited to, time tables, schedules, brochures, sales and tour literature, calendars, displays, etc.) and to advertise in the same manner and through the same or similar media as the designated airline(s) of the other Party.

3. With respect to operational matters, the designated airline(s) of each Party shall have:

(a) the right to import, install, and operate telex, computer, VHF radio, and handheld radio sets (walkie talkie) and related equipment for reservations, load planning and management, and for other operational purposes, subject to the approval of the appropriate authorities, where necessary;

(b) the right to supervise load planning and actual loading and unloading of its aircraft through its own employees or representatives;

(c) the right to import company-owned vehicles and to operate such vehicles on airport roadways and aircraft servicing ramps, subject to the approval of the appropriate authorities, where necessary;

(d) the right to inspect fuel storage and fuel pumping equipment on a quarterly basis and take samples at each source for export and subsequent laboratory analysis; and

(e) the right to film, under whatever supervision is necessary, the aircraft approach view to the runways of all regular airports and alternate airports contemplated for the operation of the agreed services, for purposes of pilot training, subject to the approval of the appropriate authorities.

4. Each Party grants to the other Party the assurance that the following authorizations, permits, and information will be provided, on the basis of reciprocity, in a timely fashion to each airline designated to operate the agreed services:

(a) airport security permits for assigned foreign and locally employed company staff authorizing them to move freely beyond airport customs and immigration screens into the terminal loading areas and onto the airport ramp areas;

(b) written information on the procedures to be employed by the airport authorities at each regular airport and alternate airport contemplated for the operation of the agreed services in the event of an emergency such as a crash, a hijacking, or a bomb threat, establishing the order of action in a given situation for units responsible for tower control, firefighting, medical assistance and transportation, perimeter security and other emergency and security functions in effect; and

(c) written information on aeronautical laws, including the rules and regulations thereunder and amendments thereto, each designated airline is expected to follow.

5. The appropriate authorities of each Party shall use their best efforts to assist the designated airline(s) of the other Party to receive housing for the staff of such airline(s) comparable in cost and quality to the best obtained by or provided to other foreign airlines.

6. The designated airline(s) of each Party shall have the right to train the personnel of any appointed agent in the procedures of that airline for passenger, cargo, and aircraft handling and in procedures relating to reservations, ticketing, marketing, management, and sales promotion, subject to prior agreement.

This letter will be effective on the date the Civil Air Transport Agreement is signed.

I would be grateful for your confirmation that this is also your understanding of the agreement we have reached.

Sincerely,

B. BOYD HIGHT
Chairman
Civil Aviation Delegation
of the Government
of the United States

Attachment: Initialed Translation

Beijing
September 8, 1980

Mr. B. Boyd Hight
Chairman
Civil Aviation Delegation of
the Government of the United States

Dear Mr. Hight:

I have the honor to refer to the Civil Air Transport Agreement initialed today by our two governments and to your letter of today's date which reads as follows:

"I have the honor to refer to the Agreement between the Government of the United States of America and the Government of the People's Republic of China relating to Civil Air Transport initialed today by our two governments. During the course of negotiations leading to the initialing of the Agreement, both sides discussed questions relating to the conduct of business in the territory of the other Party and other operational matters of the designated airlines. I understand that agreement was reached that the designated airline(s) of each Party shall have, in the territory of the other Party, the rights and privileges as set forth below:

1. With respect to the representative office(s) referred to in Article 11, paragraph (3) of the Agreement, the designated airline(s) of each Party shall have:

(a) the right to issue, reissue, reconfirm and exchange tickets for transportation on the agreed services, for connecting air services, and for transportation over any other route or routes outside of the agreed services which are operated by such airline(s); and

(b) the right to make, reconfirm, or change reservations for passengers wishing to travel over the routes of such airline(s) whether or not such reservations are for transportation on the agreed services.

2. The designated airline(s) of each Party shall also have the right to import, maintain,

store, and distribute informational materials (including, but not limited to, time tables, schedules, brochures, sales and tour literature, calendars, displays, etc.) and to advertise in the same manner and through the same or similar media as the designated airline(s) of the other Party.

3. With respect to operational matters, the designated airline(s) of each Party shall have:

(a) the right to import, install, and operate telex, computer, VHF radio, and hand-held radio sets (walkie talkie) and related equipment for reservations, load planning and management, and for other operational purposes, subject to the approval of the appropriate authorities, where necessary;

(b) the right to supervise load planning and actual loading and unloading of its aircraft through its own employees or representatives;

(c) the right to import company-owned vehicles and to operate such vehicles on airport roadways and aircraft servicing ramps, subject to the approval of the appropriate authorities, where necessary;

(d) the right to inspect fuel storage and fuel pumping equipment on a quarterly basis and take samples at each source for export and subsequent laboratory analysis; and

(e) the right to film, under whatever supervision is necessary, the aircraft approach view to the runways of all regular airports and alternate airports contemplated for the operation of the agreed services, for purposes of pilot training, subject to the approval of the appropriate authorities.

4. Each Party grants to the other Party the assurance that the following authorizations, permits, and information will be provided, on the basis of reciprocity, in a timely fashion to each airline designated to operate the agreed services:

(a) airport security permits for assigned foreign and locally employed company staff authorizing them to move freely beyond airport customs and immigration screens into the terminal loading areas and onto the airport ramp areas;

(b) written information on the procedures to be employed by the airport authorities at each regular airport and alternate airport contemplated for the operation of the agreed services in the event of an emergency such as a crash, a hijacking, or a bomb threat, establishing the order of action in a given situation for units responsible for tower control, firefighting, medical assistance and transportation, perimeter security and other emergency and security functions in effect; and

(c) written information on aeronautical laws, including the rules and regulations thereunder and amendments thereto, each designated airline is expected to follow.

5. The appropriate authorities of each Party shall use their best efforts to assist the designated airline(s) of the other Party to receive housing for the staff of such airline(s) comparable in cost and quality to the best obtained by or provided to other foreign airlines.

6. The designated airline(s) of each Party shall have the right to train the personnel of any appointed agent in the procedures of that airline for passenger, cargo, and aircraft handling and in procedures relating to reservations, ticketing, marketing, management, and sales promotion, subject to prior agreement.

This letter will be effective on the date the Civil Air Transport Agreement is signed.

I would be grateful for your confirmation that this is also your understanding of the agreement we have reached."

I have the honor to confirm that the above constitutes an agreed understanding between our two governments concerning the rights of the designated airline(s) of each Party in the territory of the other Party.

This letter will be effective on the date the Civil Air Transport Agreement is signed.

Sincerely,
LIN ZHENG
Leader
Civil Aviation Delegation
of the Government
of China

Beijing
September 8, 1980

Mr. B. Boyd Hight
Chairman
Civil Aviation Delegation
of the Government of the United States

Dear Mr. Hight:

I have the honor to refer to the Agreement between the Government of the People's Republic of China and the Government of the United States of America Relating to Civil Air Transport, initialed today by our two governments. During the course of negotiations leading to the initialing of the Agreement, both sides discussed questions relating to the utilization of full traffic rights at a point or points in Japan in the operation of the agreed services. It is my understanding that agreement was reached that the utilization of full traffic rights at Japan by the designated airlines of both sides shall be governed by the following terms:

(1) The first designated airline of each Party, unless otherwise agreed, shall be permitted to operate two frequencies[1] with full traffic rights at Japan immediately upon the commencement of the agreed services. Two years following the commencement of any agreed service, the second designated airline of each Party, unless otherwise agreed, shall be permitted to operate two frequencies with full traffic rights at Japan. These rights shall continue until otherwise agreed by the Parties.

(2) If, two years after the commencement of any agreed service, the United States does not designate a second airline, or if one of the United States' two designated airlines does not operate all of the Japan frequencies authorized by paragraph (1) above, the Parties shall consult with a view to agreeing on the utilization of the unused Japan frequencies by the United States.

(3) The designated airline(s) of the People's Republic of China shall operate more than two Japan frequencies only if, and to the same extent that, the designated airline(s) of the United States are operating singly or in combination more than two Japan frequencies.

(4) Not later than two and one-half years following the commencement of any agreed service, the Parties shall review their respective utilization of Japan frequencies. If, upon such review, the number of Japan frequencies operated by the U.S. designated airline(s) exceeds the number of Japan frequencies which the Government of the People's Republic of China and the Government of Japan have agreed upon for the Chinese designated airline(s), the Parties shall consult with a view to agreeing upon an alternative opportunity or opportunities for the Chinese designated airline(s).

(5) If, by 90 days prior to the end of the third year following the commencement of any agreed service, the Parties have not agreed upon an alternative opportunity or opportunities, the People's Republic of China shall be entitled to select point services[2] for operation in the fourth year and thereafter equal to the difference between the number of Japan frequencies operated by the U.S. designated airline(s) and the number of Japan frequencies authorized for the Chinese designated airline(s). The Chinese designated airline(s) shall be entitled to operate such point services at one or more intermediate and/or beyond points selected at the sole discretion of the People's Republic of China. A list of intermediate and/or beyond points so selected shall be furnished to the Government of the United States through diplomatic channels not later than 60 days prior to the commencement of operations. The number of point services operated by the Chinese designated airline(s) shall be reduced by one for each new Japan frequency which the Chinese designated airline(s) is authorized to operate subsequent to the selection of point services.

This letter will be effective on the date the Civil Air Transport Agreement is signed.

Sincerely,

LIN ZHENG
Leader
Civil Aviation Delegation
of the Government
of China

Beijing
September 8, 1980

Mr. Lin Zheng
Leader
Civil Aviation Delegation
of the Government of China

Dear Mr. Lin:

I am in receipt of your letter of today's date relating to the Agreement between the Government of the United States of America and the Government of the People's Republic of China Relating to Civil Air Transport initialed today by our two governments, and

[1] For the purposes of this understanding, "frequency" shall have the same meaning as that set forth in Annex V, paragraph (1) of the Agreement.

[2] The term "point service" means one weekly frequency with full traffic rights at a point.

more particularly relating to the utilization of full traffic rights at a point or points in Japan in the operation of the agreed services. Your letter reads as follows:

"I have the honor to refer to the Agreement between the Government of the People's Republic of China and the Government of the United States of America Relating to Civil Air Transport, initialed today by our two governments. During the course of negotiations leading to the initialing of the Agreement, both sides discussed questions relating to the utilization of full traffic rights at a point or points in Japan in the operation of the agreed services. It is my understanding that agreement was reached that the utilization of full traffic rights at Japan by the designated airlines of both sides shall be governed by the following terms:

(1) The first designated airline of each Party, unless otherwise agreed, shall be permitted to operate two frequencies[1] with full traffic rights at Japan immediately upon the commencement of the agreed services. Two years following the commencement of any agreed service, the second designated airline of each Party, unless otherwise agreed, shall be permitted to operate two frequencies with full traffic rights at Japan. These rights shall continue until otherwise agreed by the Parties.

(2) If, two years after the commencement of any agreed service, the United States does not designate a second airline, or if one of the United States' two designated airlines does not operate all of the Japan frequencies authorized by paragraph (1) above, the Parties shall consult with a view to agreeing on the utilization of the unused Japan frequencies by the United States.

(3) The designated airline(s) of the People's Republic of China shall operate more than two Japan frequencies only if, and to the same extent that, the designated airline(s) of the United States are operating singly or in combination more than two Japan frequencies.

(4) Not later than two and one-half years following the commencement of any agreed service, the Parties shall review their respective utilization of Japan frequencies. If, upon such review, the number of Japan frequencies operated by the U.S. designated airline(s) exceeds the number of Japan frequencies which the Government of the People's Republic of China and the Government of Japan have agreed upon for the Chinese designated airline(s), the Parties shall consult with a view to agreeing upon an alternative opportunity or opportunities for the Chinese designated airline(s).

(5) If, by 90 days prior to the end of the third year following the commencement of any agreed service, the Parties have not agreed upon an alternative opportunity or opportunities, the People's Republic of China shall be entitled to select point services[2] for operation in the fourth year and thereafter equal to the difference between the number of Japan frequencies operated by the U.S. designated airline(s) and the number of Japan frequencies authorized for the Chinese designated airline(s). The Chinese designated airline(s) shall be entitled to operate such point services at one or more intermediate and/or beyond points selected at the sole discretion of the People's Republic of China. A list of intermediate and/or beyond points so selected shall be furnished to the Government of the United States through diplomatic channels not later than 60 days prior to the commencement of operations. The number of point services operated by the Chinese designated airline(s) shall be reduced by one for each new Japan frequency which the Chinese designated airline(s) is authorized to operate subsequent to the selection of point services.

This letter will be effective on the date the Civil Air Transport Agreement is signed."

I have the honor to confirm that the above constitutes an agreed understanding.

This letter will be effective on the date the Civil Air Transport Agreement is signed.

Sincerely,

B. BOYD HIGHT
Chairman
Civil Aviation Delegation
of the Government
of the United States

Attachment: Initialed Translation

Beijing
September 8, 1980

Mr. Lin Zheng
Leader
Civil Aviation Delegation
of the Government of China

Dear Mr. Lin:

I have the honor to refer to the Civil Air Transport Agreement initialed today by our two governments, with respect to paragraph (1) of Annex V to the Agreement, it is my understanding that in case the first designated airline of the People's Republic of China does not operate more than two B-747SP aircraft per week during the period of one year following its commencement of the agreed services, for this same period the designated airline of the United States of America will limit its available capacity to an average of 120 tons of payload per week, measured quarterly. Payload will be measured by the actual tons of passenger, cargo and mail traffic, embarked or disembarked in the People's Republic of China quarterly.

This letter will be effective on the date the Civil Air Transport Agreement is signed.

Sincerely,

B. BOYD HIGHT
Chairman
Civil Aviation Delegation
of the Government
of the United States

Attachment: Initialed Translation

Beijing
September 8, 1980

Mr. B. Boyd Hight
Chairman
Civil Aviation Delegation of
the Government of the United States

Dear Mr. Hight:

I am in receipt of your letter of today's date relating to the Agreement between the Government of the United States of America and the Government of the People's Republic of China relating to Civil Air Transport initialed today by our two governments, and more particularly relating to Annex V (1) setting forth a capacity regime to govern the operations of the designated airline of each Party during the first year following the commencement of the agreed services by the first designated airline of the People's Republic of China. Your letter reads as follows:

"I have the honor to refer to the Civil Air Transport Agreement initialed today by our two governments. With respect to paragraph (1) of Annex V to the Agreement, it is my understanding that in case the first designated airline of the People's Republic of China does not operate more than two B-747SP aircraft per week during the period of one year following its commencement of the agreed services, for the same period the designated airline of the United States of America will limit its available capacity to an average of 120 tons of payload per week, measured quarterly. Payload will be measured by the actual total tons of passenger, cargo and mail traffic, embarked or disembarked in the People's Republic of China quarterly.

This letter will be effective on the date the Civil Air Transport Agreement is signed."

I have the honor to confirm that the above constitutes an agreed understanding.

This letter will be effective on the date the Civil Air Transport Agreement is signed.

Sincerely,
LIN ZHENG
Leader
Civil Aviation Delegation
of the Government
of China

Beijing
September 8, 1980

Mr. B. Boyd Hight
Chairman
Civil Aviation Delegation of
The Government of the United States

Dear Mr. Hight:

With reference to Annex V, paragraph (2) of the Agreement between the Government of the People's Republic of China and the Government of the United States of America relating to Civil Air Transport initialed today, I have the honor to confirm, on behalf of my Government, the following discussion between the civil aviation delegations of our two countries in the course of their negotiations.

In the operation of the agreed services on the specified routes by the designated airlines of the Parties, it is deemed that traffic

[1]For the purposes of this understanding, "frequency" shall have the same meaning as that set forth in Annex V, paragraph (1) of the Agreement.

[2]The term "point service" means one weekly frequency with full traffic rights at a point.

will no longer be reasonably balanced whenever, on a semi-annual basis, the traffic carried by the designated airline(s) of one Party shall exceed 56.25 percent of the total traffic carried by the designated airlines of the two Parties.

This letter will be effective on the date the Civil Air Transport Agreement is signed.

Sincerely,

LIN ZHENG
Leader
Civil Aviation Delegation
of the Government
of China

Beijing
September 8, 1980

Mr. Lin Zheng
Leader
Civil Aviation Delegation
of the Government of China

Dear Mr. Lin:

I am in receipt of your letter of today's date with respect to Annex V, paragraph (2) of the Civil Air Transport Agreement initialed today by our two governments, and acknowledge the contents therein.

This letter will be effective on the date the Civil Air Transport Agreement is signed.

Sincerely,

B. BOYD HIGHT
Chairman
Civil Aviation Delegation
of the Government
of the United States

Attachment: Initialed Translation

September 17, 1980

Mr. Lin Zheng
Leader
Civil Aviation Delegation
of the Government of China

Dear Mr. Lin:

I have the honor to confirm that the Government of the United States of America is prepared, within its authority, to make clear in its official publications and statements, that "China Airlines" is an airline from Taiwan and is not the national flag carrier of China.

Sincerely,
B. BOYD HIGHT
Chairman
Civil Aviation Delegation
of the Government
of the United States

## Textile Agreement

### AGREEMENT RELATING TO TRADE IN COTTON, WOOL, AND MAN-MADE FIBER TEXTILES AND TEXTILE PRODUCTS BETWEEN THE UNITED STATES OF AMERICA AND THE PEOPLE'S REPUBLIC OF CHINA

The Government of the United States of America and the Government of the People's Republic of China, as a result of discussions concerning exports to the United States of America of cotton, wool, and man-made fiber textiles and textile products manufactured in the People's Republic of China, agree to enter into the following Agreement relating to trade in cotton, wool, and man-made fiber textiles and textile products between the United States of America and the People's Republic of China (hereinafter referred to as "the Agreement"):

1. The two Governments reaffirm their commitments under the Agreement on Trade Relations between the United States of America and the People's Republic of China as the basis of their trade and economic relations.

2. The term of the Agreement shall be the three-year period from January 1, 1980 through December 31, 1982. Each "Agreement Year" shall be a calendar year.

3. (a) The system of categories and the rates of conversion into square yards equivalent listed in Annex A shall apply in implementing the Agreement.

(b) For purposes of the Agreement, categories 347, 348 and 645, 646 are merged and treated as single categories 347/348 and 645/646 respectively.

4. (a) Commencing with the first Agreement Year, and during the subsequent term of the Agreement, the Government of the People's Republic of China shall limit annual exports from China to the United States of America of cotton, wool, and man-made fiber textiles and textile products to the specific limits set out in Annex B, as such limits may be adjusted in accordance with paragraphs 5 and 7. The limits in Annex B include growth. Exports shall be charged to limits for the year in which exported. The limits set out in Annex B do not include any of the adjustments permitted under paragraphs 5 and 7.

(b) With respect to Category 340, 200,000 dozens of the quantity exported in 1979 shall be charged against the Specific Limit for that Category for the first Agreement Year.

(c) With respect to Category 645/646, 48,000 dozens of the quantity exported in 1980 will be entered without charge.

5. (a) Any specific limit may be exceeded in any Agreement Year by not more than the following percentage of its square yards equivalent total listed in Annex B, provided that the amount of the increase is compensated for by an equivalent SYE decrease in one or more other specific limits for that Agreement Year.

| Category | Percentage |
|---|---|
| 331 | 6 |
| 339 | 5 |
| 340 | 5 |
| 341 | 5 |
| 347/348 | 5 |
| 645/646 | 6 |

(b) No limit may be decreased pursuant to sub-paragraph 5 (a) to a level which is below the level of exports charged against that category limit for that Agreement Year.

(c) When informing the United States of adjustments under the provisions of this paragraph, the Government of the People's Republic of China shall indicate the category or categories to be increased and the category or categories to be decreased by commensurate quantities in square yards equivalent.

6. The Government of the People's Republic of China shall use its best efforts to space exports from China to the United States within each category evenly throughout each Agreement Year, taking into consideration normal seasonal factors. Exports from China in excess of authorized levels for each Agreement Year will, if allowed entry into the United States, be charged to the applicable level for the succeeding Agreement Year.

7. (a) In any Agreement Year, exports may exceed by a maximum of 11 percent any limit set out in Annex B by allocating to such limit for that Agreement Year an unused portion of the corresponding limit for the previous Agreement Year ("carryover") or a portion of the corresponding limit for the succeeding Agreement Year ("carryforward") subject to the following conditions:

(1) Carryover may be utilized as available up to 11 percent of the receiving Agreement Year's limits provided, however, that no carryover shall be available for application during the first Agreement Year;

(2) Carryforward may be utilized up to seven percent of the receiving Agreement Year's applicable limits and shall be charged against the immediately following Agreement Year's corresponding limits;

(3) The combination of carryover and carryforward shall not exceed 11 percent of the receiving Agreement Year's applicable limit in any Agreement Year;

(4) Carryover of shortfall (as defined in sub-paragraph 7 (b)) shall not be applied to any limits until the Governments of the United States of America and the People's Republic of China have agreed upon the amounts of shortfall involved.

(b) For purposes of the Agreement, a shortfall occurs when exports of textiles or textile products from China to the United States of America during an Agreement Year are below any specific limit as set out in Annex B, (or, in the case of any limit decreased pursuant to paragraph 5, when such exports are below the limit as so decreased). In the Agreement Year following the shortfall, such exports from China to the United States of America may be permitted to exceed the applicable limits, subject to conditions of sub-paragraph 7 (a), by carryover of shortfalls in the following manner:

(1) The carryover shall not exceed the amount of shortfall in any applicable limit;

(2) The shortfall shall be used in the category in which the shortfall occurred.

(c) The total adjustment permissible under paragraph 7 for the first Agreement Year shall be seven percent consisting solely of carryforward.