

Air Pouch

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FOREIGN SERVICE DESPATCH

FROM American Embassy, HABANA 1482

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SUBJECT U.S.-Cuban Negotiations Under the Bilateral Air Transport Agreement.

In accordance with the previously reported request of the Cuban Government, the United States and Cuban delegations held formal discussions in Habana from January 15 through 19, 1957, with respect to the interpretation and possible revision of the Bilateral Air Transport Agreement. There is set forth below a brief summary of the positions taken by the Cuban delegates on the various agenda items and their attitudes with respect to the route exchanges proposed in the course of the negotiations.

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I. United States Agenda Items

A. Discrimination

At the beginning of the meetings the Cuban delegation gave assurances that the problems had been solved with respect to granting U. S. carriers tax and duty exemptions on imports of spare parts and gasoline, equivalent to those granted to national airlines. For clarifying the points at issue it was agreed that this oral commitment would be followed up by an exchange of notes reaffirming the principle of equal treatment embodied in Article 4 of the Agreement. The Cuban delegation expressed complete agreement with this, but the exact procedure for granting these exemptions nevertheless remained unsettled. Apparently there is a technical difficulty regarding the exemption from the 3.15 per cent gross sales tax on gasoline imports.

It was recognized that the continued use of Camp Columbia Airfield by Cuban carriers was another instance of discrimination against the U. S. airlines. The Cuban delegation stated that at the particular moment the presence of these carriers in Camp Columbia was a matter related to the national security of the country, as in return for the use of the airfield these carriers are under an obligation to serve the military forces whenever required to do so. Nevertheless, it is expected that the situation will be remedied in the near future when the nearby Baracoa Airport is completed. The companies now using Camp Columbia will transfer to Baracoa which will also be open to other international airlines on equal terms. On the understanding that this transfer will take place on or about May 1, 1957, the U. S. delegation indicated its willingness to defer further discussion for the time being.

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Without making any definite commitment, the Cuban delegation took the position that the U. S. carriers' request for proration of overtime payments to government personnel at Jose Marti International Airport did not come within the scope of the formal negotiations under the Agreement. It was agreed however, that in the exchange of notes mentioned above there would be included a statement to the effect that the Cuban Government recognized the obligation to eliminate any discriminatory or unreasonable charges that may exist. Along this same line, the Cubans expressed their willingness to receive and consider the views of the U. S. on the question of reasonableness of airport charges and to explore the possibility of exempting U. S. airlines from the taxes on gross profits and on export of money.

B. Route Requests

1. Key West-Habana

At the outset the Cuban delegation expressed a determined opposition to the U. S. request for this route on the ground that it would mean giving up one of the routes exclusively served by a Cuban carrier. Development of the present traffic had been solely a Cuban effort, and the present service is considered adequate. There was, according to the Cubans, no evidence that the interest of the public was not being served. The entry of a large U. S. line would, in the Cuban estimate, drive the present carrier out entirely. The past experience on the Tampa-Miami route was cited in support of this belief.

2. Miami-Varadero

The objection to granting this request was again the relinquishing of an exclusive route that had been developed by a Cuban carrier. The Cuban Government has spent substantial sums in promoting Varadero as a tourist attraction, and if an American carrier served this route it would be reaping the benefits of purely Cuban efforts. This is considered a valuable route, and if it were granted to the U. S., Cuba would want something valuable in exchange.

3. West Palm Beach and/or Ft. Lauderdale-Habana and Beyond.

Cuba took the position that at present this route is not justified because of the small amount of traffic moving over the West Palm Beach-Habana segment that is presently served by a Cuban carrier. Also the route would mean the loss of another exclusive right which is enjoyed by Cuba. Ft. Lauderdale is located within the sphere of the Miami airport and in previous negotiations the U. S. refusal to include Ft. Lauderdale as a point for Cuba was based on the argument that it would be, in effect, another Habana-Miami route. Upon being informed that the route description would permit an operation serving Habana as an intermediate point or a beyond point, the Cuban delegation stated their opinion that this would not be a "reasonably direct" route as that term is generally understood. Nevertheless the Cubans expressed willingness to grant the route provided an overall route exchange satisfactory to them could be worked out.

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II. Cuban Agenda Items

A. Capacity Provisions of the Agreement

The Cuban delegation explained that a revision of Sections IV and VI of the Annex to the Agreement continued to be a major objective. While agreeing that for the moment the capacity provisions were having no adverse effect upon the operations of the Cuban carriers, it was felt that the wording of the Agreement would not protect Cuba against the possibility of ruinous U. S. competition in the future. So long as the principle of ex post facto review of frequency increases is retained, Cuba has no adequate remedy under the Agreement against the U. S. carriers with their greater financial resources.

As stated by them, the Cuban point of view is that the traffic between the two countries should be regarded as a single unit which the carriers of each country are entitled to share on an equal basis. The Bilateral Air Transport Agreement between Cuba and Mexico which provides for the regulation of frequencies was cited as an example of this philosophy.

B. Route Requests

1. Habana-Los Angeles

In reply to the U. S. argument that the proposed service would have to depend mainly on fifth freedom traffic, the Cuban delegation pointed out that not only is the route completely undeveloped, but also there is reason to believe that a potential third and fourth freedom traffic exists. It was emphasized that the proposed service would be non-stop. In connection with this and the other routes, the Cubans stated their disagreement with the U. S. concept of the right to fifth freedom traffic. Because of the great disparity in the size of the two countries they believed it would not be fair to rely on third and fourth freedom traffic as a basis for granting fifth freedom rights. There should be full reciprocity without any grant of additional concessions on Cuba's part.

2. Beyond Rights

In asking for routes beyond New York and Miami the Cuban position was that the U. S. had obtained unspecified beyond rights under the Agreement and, as a matter of principle, equal rights should be granted to Cuba. According to the delegation's figures, of the 12,000 Cubans visiting Spain every year at least 50 per cent travelled via New York. Therefore, Cuba is now giving much third freedom traffic to the North Atlantic route.

3. Santiago de Cuba-Miami

It was proposed that this route would be granted on a reciprocal basis but the Cuban delegation took the position that there would not be complete reciprocity if the U. S. route included beyond rights.

4. Habana-Washington

The Cuban delegation stated that the request for this route implied that the carrier would have the right to operate flights terminating in Washington or as a stop on the New York route. In view of the fact that the U. S. airline certificated for the route is not operating a direct service from Habana to Washington, it would be in the public interest to permit another carrier to provide the service.

III. Route Exchanges

In the course of the negotiations the U. S. delegation proposed two possible route exchanges on an ad referendum basis to which the Cuban delegation offered counter proposals.

The first U. S. offer:

U. S. Routes:

West Palm Beach/Ft. Lauderdale-Habana and beyond
to the Bahamas
Miami-Santiago de Cuba and beyond
Key West-Habana
Miami-Habana and/or Varadero and beyond

Cuban Routes:

Habana-Ft. Lauderdale/West Palm Beach and beyond
to the Bahamas
Santiago de Cuba-Miami
Habana-Washington/New York

The Cuban counter-offer:

Cuban Routes:

Habana-Washington/New York and beyond
Habana-Los Angeles
Santiago de Cuba-Miami and beyond
Habana-Ft. Lauderdale/West Palm Beach and beyond
to the Bahamas

U. S. Routes:

West Palm Beach/Ft. Lauderdale-Habana and beyond
to the Bahamas
Miami-Santiago de Cuba and beyond
Los Angeles-Habana and beyond

The second U. S. offer:

U. S. Routes:

Miami-Santiago de Cuba and beyond
West Palm Beach/Ft. Lauderdale-Habana and beyond
to the Bahamas

Cuban Routes:

Santiago de Cuba-Miami
Habana-West Palm Beach/Ft. Lauderdale and beyond
to the Bahamas

The Cuban counter-offer:

Cuban Routes:

Habana-Washington/New York and beyond
Habana-West Palm Beach/Ft. Lauderdale and beyond
to the Bahamas

U. S. Routes:

West Palm Beach/Ft. Lauderdale-Habana and beyond
to the Bahamas
Miami-Habana/Varadero

In rejecting the first U. S. offer, the Cuban delegation made it clear that for the present the Key West-Habana route would not under any circumstances be granted to an American carrier. With regard to the second offer the Cubans stated that reciprocal rights on the West Palm Beach/Ft. Lauderdale-Habana route were of only slight interest and, while they did want the Santiago de Cuba-Miami route, the condition of the beyond rights for an American carrier was too high a price to pay.

At the close of the negotiations the Cuban delegation expressed its disappointment at the failure to achieve an exchange of routes but accepted the U. S. suggestion that discussions could be resumed at any future time if there appeared to be a possibility of arriving at a mutually satisfactory agreement.

For the Ambassador:



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