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1.3794/2-553

FROM : AMEMBASSY, HABANA

1209

TO : THE DEPARTMENT OF STATE, WASHINGTON.

February 5, 1953

REF : Dept's A-265, January 28, 1953

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SUBJECT: Proposed Bilateral Air Transport Agreement.

At the request of the Minister of Communications and Transport, an Embassy official called at the Ministry last week to discuss the proposed Cuba-United States Bilateral Air Transport Agreement. Two of the Minister's assistants, Antonio ACOSTA, Technical Adviser, and Mario HAEDO, Legal Adviser, were present at the meeting. The Minister, Dr. Pablo CARRERA Justiz, opened the conversation by inquiring about the procedure to be followed for negotiating the Air Agreement. Dr. Haedo reminded him that a special committee had been appointed in 1947 to consider a Transport Agreement with the United States. Dr. Carrera Justiz stated that he preferred not to revive this large group which would undoubtedly consume a great deal of time in arriving at a decision and that he is anxious to conclude this matter as soon as possible. After a short discussion it was agreed that Mr. Acosta and Dr. Haedo, of the Ministry of Communications and Transport, would meet with Dr. Nemesio LEDO, of the Ministry of State, after which a report containing the Cuban views would be submitted to the Minister for his approval and for subsequent transmission to the Embassy.

Dr. Haedo remarked that one of the tasks of the group would be to determine the precise meaning of the term "substantial ownership and effective control" which appears in Article 7 of the Agreement. The Minister stated that obviously an individual or a company owning 51 percent of the stock of a corporation, controlled it. At this point the Embassy representative, who had not taken an active part in the conversation, stated that there are cases where companies or individuals owning as little as 30 percent or 40 percent of a corporation's stock have been known to exercise effective control over it.

The Minister admitted that this is true and he himself cited the case of Pan American Airways which exercises effective control of Compañia Cubana de Aviacion although it owns only 42 percent of its stock. He stated that in this case this is possible because Carlos PARRAGA, who owns a large block of Cubana stock, votes as he is told to by Pan American Airways.

RLHarrell:ecv
REPORTER

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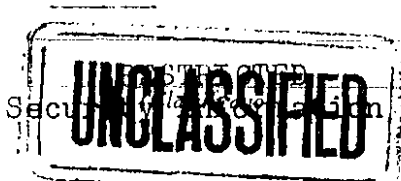
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After the meeting broke up, Dr. Haedo stated privately to the Embassy representative that he had participated in the 1947 Bilateral conversations and that he still had in his possession a copy of the proposed note, which, inter alia, contained a formula providing for a gradual reduction of Pan American's interest in Cubana.

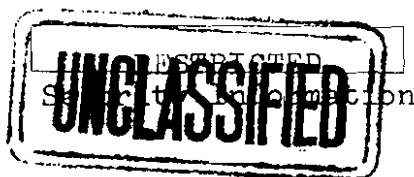
The President of Cubana recently stated to an Embassy official that plans are being made to separate its operations from those of Pan American Airways, as required by Cubana's New York permit, and that direct flights to this point will be started as soon as these arrangements are completed and the company has acquired the necessary equipment.

In view of the Minister's expressed desire to conclude the Civil Air Agreement as soon as possible, the Embassy trusts that the Department will furnish the necessary information concerning routes as rapidly as possible. The Cubans are in a mood to conclude this matter now and the Embassy believes that advantage should be taken of the present favorable situation to sign the agreement before the Cubans change their mind.

For the Ambassador:

Raymond L. Harrell
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Attaché

RM



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