

OGC 66-1359

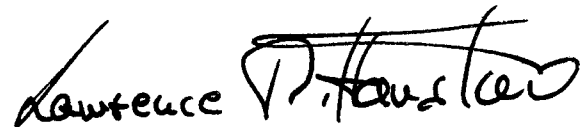
20 June 1966

MEMORANDUM FOR THE RECORD

SUBJECT: Activities of Air America and China Air Lines in Southeast Asia

1. Mr. George Denney of State informed me that the Secretary of State plans to have Under Secretary Ball reply to Senator Fulbright, saying only that he knows the Secretary would be glad to be in touch with the Senator on this matter when he returns about 10 July 1966. When the Secretary returns, he will then focus on this problem; his basic feeling is that he does not want to be forthcoming.

2. Meanwhile, I will recommend to Mr. Helms that we go ahead and talk to Mr. Rostow in the White House and see if Mr. Helms wants me or someone else to take that mission.



LAWRENCE R. HOUSTON
General Counsel

OGC:LRH:jeb

cc: DDS

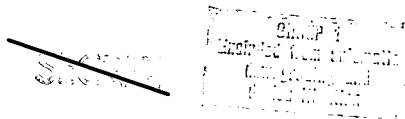
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20 June 1966

MEMORANDUM FOR: Deputy Director of Central Intelligence

**SUBJECT: Activities of Air America and China Air Lines
in Southeast Asia**

1. This memorandum contains a recommendation in paragraph 4 for approval by the Deputy Director of Central Intelligence.

2. I talked to Mr. George C. Denney, Jr., Deputy Director, Bureau of Intelligence and Research, Department of State, about Senator Fulbright's letter inquiring about Air America. I suggested that we could prepare an accurate response to the Senator's letter which would be complete except for CIA's relationship with Air America, and that we could then carry the letter to Senator Fulbright and orally discuss this classified aspect. Mr. Denney felt that that was a possibility but was not sure that the Secretary would be willing to send a letter which could be considered misleading. His suggestion was that the Secretary sign an interim letter saying that he would be glad to discuss the Senator's questions with him and invite him to lunch for that purpose. I said I thought this would be all right with us, but Mr. Denney then said he was concerned that this might put the Secretary in the position of providing the Senator with information which the Director had said he would deny to the Senator's Committee. I said we had traditionally made a difference between responding to an individual senator's request and briefing committees, and Mr. Denney agreed that this was a familiar practice. I said we might overcome this by arranging that, if the Senator agreed to a meeting luncheon or otherwise, an Agency representative could be there who would brief on the classified aspects. Mr. Denney thought this might be a good solution.

3. We agreed that at this time I would prepare a briefing paper for the Secretary on the company and that Mr. Denney would prepare the interim response to Senator Fulbright, and that we would exchange these papers Monday morning, 20 June, for further consideration. Attached is my proposed briefing memorandum for the Secretary and also a draft letter which could be used if my original suggestion were adopted.

4. I recommend that I discuss this material and the proposed response to Senator Fulbright with the Department of State.

SI

LAWRENCE R. HOUSTON
General Counsel

Attachments

The recommendation in paragraph 4 is approved

Deputy Director of Central Intelligence

Date

Distribution:

O-General Counsel

1-DDCI

1-ER

1-A DDS

1-DDS/HB

1-FE

1-SOD

1-OGC/LC

BRIEFING NOTE

**SUBJECT: Activities of Air America and China Airlines
in Southeast Asia**

**REFERENCE: 14 June 66 Ltr fr Senator Fulbright to Secretary
of State**

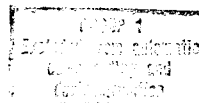
1. Senator Fulbright's letter asks for information as to precisely what Air America's duties are in Southeast Asia and whether it is used for paramilitary missions in Laos. He also asks whether China Airlines is in any way involved in the American war effort in this region or now has any connection with the Central Intelligence Agency.

2. Air America is one of four companies which together carry out extensive aviation services in the Far East. They are owned and controlled by CIA to maintain a national aviation instrument responsive to U. S. requirements in the Far East. The Pacific Corporation is a Delaware company which is a holding company for the others involved, and 100 per cent of the Pacific Corporation's stock is owned by CIA through private individuals as nominees. Air America, whose stock is 100 per cent owned by the Pacific Corporation, is a Delaware corporation authorized to engage in contract and charter airlift by the United States Civil Aeronautics Board. Air America in turn owns almost 100 per cent of the stock of Air Asia, a company organized in Nationalist China under its foreign investment law and also authorized to engage in contract and charter airlift by the Chinese and to maintain a large maintenance base at Tainan. The Pacific Corporation owns 40 per cent of the stock of, and effectively controls, Civil Air Transport Company, Limited, whose sole activity is the operation of the Chinese flag international scheduled airline in the Far East and has no activities bearing on Senator Fulbright's question.

*What this
raise more
questions?*

3. Air America and Air Asia act as a joint venture, with Air Asia supplying maintenance and much of the services to Air America under contract. In Southeast Asia the great majority of the airlift supplied by these companies is under contract between

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Air America and AID. There are minor contracts with the Department of Defense and the Thailand border police patrol which have no relationship to the Senator's inquiry. The main Air America operation is carrying supplies and people into Laos under the AID contracts, but about 40 per cent of this effort is in support of CIA under the cover of AID contracts. Thus, in the company year ending 1 March 1965 the cost of airlift to AID was about \$5,800,000 and to CIA about \$4,300,000. The AID portion is in support of normal AID programs in the area. The CIA portion is primarily in support of the Meo tribesmen in their resistance to the Pathet Lao and the North Vietnamese. The great bulk of this is foodstuffs and other normal supplies flown by Air America from bases in Thailand and either landed or air dropped in Laos. A certain amount of arms and ammunition are flown periodically in ^{unmarked} Air Force planes piloted by Air America pilots to locations in Laos in support of the Meos and occasionally trail watch teams on the eastern border. In Laos light planes make further distribution of some of these supplies, and we have to move AID, CIA, and diplomatic personnel as needed. Similar services are performed in the same manner by Continental Air Services, Inc., a subsidiary of Continental Airlines. This is a straight commercial activity over which CIA has no control other than by contract through AID. All of these services are performed under the direction of the Ambassador and the U. S. Mission in Vientiane and are coordinated between CIA, State, Defense, and AID in Washington. In Thailand Air America has contracts primarily for the movement of U. S. personnel but also as noted above to service the border police patrol. In South Vietnam Air America has AID contracts to service both ~~CIA and AID~~ programs, and a Department of Defense contract to service ~~CIA~~ programs.

4. The rationale for maintaining Air America is its responsiveness to national requirements; the fact that it can be caused to take commercial risks or losses that a private company would not accept; its unique ability to perform complex aviation maintenance under Southeast Asian conditions; its area knowledge and experience; and the security of its personnel and their willingness to undertake flights that are extrahazardous, both from the nature of the terrain and the airstrips involved and the frequent ground fire experienced, particularly in Laos. Companies like Continental Air Services, Inc. can perform a large amount of this on a commercial basis but cannot be counted on in an emergency to the same extent we can depend on Air America. Insofar as possible, however, Air America operates on a normal commercial basis and no subsidy as such is required for its support.

5. China Airlines is a company organized in Nationalist China by Chinese retired Air Force officers. The company is

completely independent of CIA and has no CIA participation or control. However, it does operate in South Vietnam, particularly performing domestic airlift in conjunction with Air Vietnam but also some contract work in support of the CIA Station. It also has minor commercial operations in Laos with which CIA has no connection. In addition, it has performed some maintenance on planes which have served to support CIA activities. China Airlines has ambitions to get into the international scheduled airline business, and it was for this purpose that it obtained the loan from the Export-Import Bank. It is favorably regarded by the Nationalist Chinese government and may at some time take over the scheduled business of Civil Air Transport Company, Limited as CIA would like to be relieved of the task of performing this commercial service.

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The Honorable J. W. Fulbright
Chairman
Committee on Foreign Relations
United States Senate
Washington, D. C.

Dear Senator Fulbright:

In your letter of June 14, 1966 you inquired about the operations of Air America and China Air Lines in Southeast Asia. Air America is a Delaware corporation authorized by the United States Civil Aeronautics Board to perform charter and contract airlift and does perform such services under contract to the United States Government in support of Government organizations in Laos, Thailand, and Vietnam. The Government's requirements are similarly served in that area by Continental Air Services, Inc., a subsidiary of Continental Airlines.

In Laos these contract flying services are managed and conducted with the full knowledge and approval of the United States Ambassador to Laos.

China Air Lines, an authorized air carrier of the Chinese Nationalist Government, does perform contract flying and maintenance services in Southeast Asia for both the United States and Vietnam Governments.

If you would like to go further into the details of the activities of these companies, I would be very glad to meet with you at your convenience.

Sincerely,

Secretary of State

SENDER WILL CHECK CLASSIFICATION TOP AND BOTTOM			
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CENTRAL INTELLIGENCE AGENCY OFFICIAL ROUTING SLIP			
TO	NAME AND ADDRESS	DATE	INITIALS
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APPROVAL	DISPATCH	RECOMMENDATION	
COMMENT	FILE	RETURN	
CONCURRENCE	INFORMATION	SIGNATURE	
Remarks: Senator Fulbright wrote Secretary Rusk asking about Air America and China Air Lines. Rather than making a detailed written response, State plans an interim reply, which in effect asks the Senator to come and talk to the Secretary. If he agrees, the Secretary and someone from the Agency will discuss aviation activities in Southeast Asia with the Senator. State wants a briefing paper, and I have prepared the attached. Obviously, a great more detail could be put in, but unless I have made any inaccurate statements or conveyed any inaccurate (over)			
FOLD HERE TO RETURN TO SENDER			
FROM: NAME, ADDRESS AND PHONE NO.			DATE
General Counsel			6/20/66
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FORM NO. 2-61 237

Use previous editions

(40)
U.S. GOVERNMENT PRINTING OFFICE : 1961 O-567282

impressions, I would like this to stand. Please
phone comments to my office by 9:30 a.m.

LRHouston

Copies in

Draft to:

DDS

SOD-

FE-

(b)(3)

20 June 1966

MEMORANDUM FOR: Deputy Director of Central Intelligence

SUBJECT: Activities of Air America and China Air Lines
in Southeast Asia

1. This memorandum contains a recommendation in paragraph 4 for approval by the Deputy Director of Central Intelligence.

2. I talked to Mr. George C. Denney, Jr., Deputy Director, Bureau of Intelligence and Research, Department of State, about Senator Fulbright's letter inquiring about Air America. I suggested that we could prepare an accurate response to the Senator's letter which would be complete except for CIA's relationship with Air America, and that we could then carry the letter to Senator Fulbright and orally discuss this classified aspect. Mr. Denney felt that that was a possibility but was not sure that the Secretary would be willing to send a letter which could be considered misleading. His suggestion was that the Secretary sign an interim letter saying that he would be glad to discuss the Senator's questions with him and invite him to lunch for that purpose. I said I thought this would be all right with us, but Mr. Denney then said he was concerned that this might put the Secretary in the position of providing the Senator with information which the Director had said he would deny to the Senator's Committee. I said we had traditionally made a difference between responding to an individual senator's request and briefing committees, and Mr. Denney agreed that this was a familiar practice. I said we might overcome this by arranging that, if the Senator agreed to a meeting luncheon or otherwise, an Agency representative could be there who would brief on the classified aspects. Mr. Denney thought this might be a good solution.

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SERIALIZED
INDEXED
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4. I recommend that I discuss this material and the proposed response to Senator Fulbright with the Department of State.


LAWRENCE R. HOUSTON
General Counsel

Attachments

The recommendation in paragraph 4 is approved

Deputy Director of Central Intelligence	Date
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Distribution:
O-General Counsel
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1-ER
1-ADDS
1-DDS/HB
1-FE
1-SOD
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The Honorable J. W. Fulbright
Chairman
Committee on Foreign Relations
United States Senate
Washington, D. C.

Dear Senator Fulbright:

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In Laos these contract flying services are managed and conducted with the full knowledge and approval of the United States Ambassador to Laos.

China Air Lines, an authorized air carrier of the Chinese Nationalist Government, does perform contract flying and maintenance services in Southeast Asia for both the United States and Vietnam Governments.

If you would like to go further into the details of the activities of these companies, I would be very glad to meet with you at your convenience.

Sincerely,

Secretary of State

DRAFT

18 June 1966

Dear Senator Fulbright;

Thank you for your letter of 14 June 1966 concerning Air America and China Airlines in Southeast Asia.

Air America, a U. S. incorporated contract air carrier, the same as Continental Airlines, Inc., does perform air contract services for U. S. Government organizations in Laos, Thailand, and Vietnam.

In Laos, these contract flying services are arranged and conducted with the full knowledge and approval of the United States Ambassador to Laos.

China Airlines, an authorized air carrier of the Chinese Nationalist Government, does perform contract flying services in Southeast Asia for both the United States and Vietnamese Governments.

and maintenance

*Air West downed
CTA station
work in progress*

*x- 9173
1058*

DEPARTMENT OF STATE
BUREAU OF INTELLIGENCE AND RESEARCH

CONFIDENTIAL

MEMORANDUM

June 17, 1966

TO: CIA - Mr. Helms
FROM: INR - Mr. Hughes

I forward herewith a copy of a letter from
Senator Fulbright to the Secretary. I would appreci-
ate your calling me about this sometime Saturday
morning.

CONFIDENTIAL

CONFIDENTIAL

9630

JOHN SHARBURN, N.C.	J. W. FULBRIGHT, ARK., CHAIRMAN
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LOUIS B. SACHS, MINN.	
WALTER D. HICKS, MISS.	

United States Senate
COMMITTEE ON FOREIGN RELATIONS

June 14, 1966

PAUL HARTZ, CHIEF OF STAFF
ARTHUR M. BINK, CHIEF CLERK

The Honorable Dean Rusk
Secretary of State
Washington, D. C.

Dear Mr. Secretary:

A story in The New York Times of Monday, June 13, in which Harrison Salisbury reported from Laos, left a clear implication that it is commonly accepted that Air America is subsidized by the Central Intelligence Agency and that much of its work is performing CIA missions. I have heard first-hand reports from others to the same effect.

I wonder whether you could tell me precisely what Air America's duties are not only in Laos but in Thailand and other countries in Southeast Asia in which it operates. I would also be interested in knowing whether it is true that Air America is used for some para-military missions in Laos that cannot be performed by military aircraft because the use of such aircraft would constitute a violation of the 1962 Geneva Accords.

I have also noticed that the Export-Import Bank has recently given a loan of over \$4 million to China Air Lines, now operating in Southeast Asia. Could you tell me whether this airline is involved in any way in the American war effort in this region or now has any connection with the CIA?

*of: in Laos CIA
connect. w/ CIA*

Sincerely yours,

J. W. Fulbright
J. W. Fulbright
Chairman

Enclosure

CONFIDENTIAL

LRH talked w/Mr. Denney, 182 2132,
as Ambassador Koren's last day was
7/8. He is leaving for Saigon.
LRH suggested to Mr. Denney that it
might be good timing to delay this until
after 14 July - date Fulbright plans to put
in McCarthy resolution.

J 7/8

MEMORANDUM FOR: **Mr. George C. Denney, Jr.**
Deputy Director
Bureau of Intelligence and
Research
Department of State

Attached is a briefing note that
Ambassador Koren can use to familiarize
himself with the problem. I will be glad to
go with him to talk to Mr. Rostow.

LAWRENCE R. HOUSTON
General Counsel

CIA
21 June 1966
(DATE)

FORM NO. 101 REPLACES FORM 10-101
1 AUG 54 WHICH MAY BE USED.

(47)

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General Counsel

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Deputy Director of Central Intelligence

Date

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Air America and AID. There are minor contracts with the Department of Defense and the Thailand border police patrol which have no relationship to the Senator's inquiry. The main Air America operation is carrying supplies and people into Laos under the AID contracts, but about 40 per cent of this effort is in support of CIA under the cover of AID contracts. Thus, in the company year ending 1 March 1965 the cost of airlift to AID was about \$5,800,000 and to CIA about \$4,300,000. The AID portion is in support of normal AID programs in the area. The CIA portion is primarily in support of the Meo tribesmen in their resistance to the Pathet Lao and the North Vietnamese. The great bulk of this is foodstuffs and other normal supplies flown by Air America from bases in Thailand and either landed or air dropped in Laos. A certain amount of arms and ammunition are flown periodically in Air Force planes piloted by Air America pilots to locations in Laos in support of the Meos and occasionally trail watch teams on the eastern border. In Laos light planes make further distribution of some of these supplies, and we have to move AID, CIA, and diplomatic personnel as needed. Similar services are performed in the same manner by Continental Air Services, Inc., a subsidiary of Continental Airlines. This is a straight commercial activity over which CIA has no control other than by contract through AID. All of these services are performed under the direction of the Ambassador and the U. S. Mission in Vientiane and are coordinated between CIA, State, Defense, and AID in Washington. In Thailand Air America has contracts primarily for the movement of U. S. personnel but also as noted above to service the border police patrol. In South Vietnam Air America has AID contracts to service both CIA and AID programs.

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Draft Response
to Fulbright

The Honorable J. W. Fulbright
Chairman
Committee on Foreign Relations
United States Senate
Washington, D. C.

Dear Senator Fulbright:

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Secretary of State

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CENTRAL INTELLIGENCE AGENCY OFFICIAL ROUTING SLIP			
TO	NAME AND ADDRESS	DATE	INITIALS
1	DDCI		
2	General Counsel		
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	ACTION	DIRECT REPLY	PREPARE REPLY
	APPROVAL	DISPATCH	RECOMMENDATION
	COMMENT	FILE	RETURN
	CONCURRENCE	INFORMATION	SIGNATURE
Remarks:			
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FROM: NAME, ADDRESS AND PHONE NO.			DATE
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DEPARTMENT OF STATE
BUREAU OF INTELLIGENCE AND RESEARCH

CONFIDENTIAL

MEMORANDUM

June 17, 1966

TO: CIA - Mr. Helms
FROM: INR - Mr. Hughes

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CONFIDENTIAL

CONFIDENTIAL

9630

J. W. FULBRIGHT, ARK., CHAIRMAN
JAMES H. EASTMAN, ILL.
ALBIRE HANSHFIELD, MONT.
WAYNE MOYSE, CALIF.
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WALTER D. HICKEL, MISS.

DOUGLAS B. HICKEL, IOWA
GEOFFREY BIRCH, VT.
FRANK CARLSON, KANS.
JAMES J. WILLIAMS, DEL.
HAROLD G. MOYNT, N. CAR.
CLIFFORD P. CASE, N.J.

United States Senate
COMMITTEE ON FOREIGN RELATIONS

June 14, 1966

PAUL HARVEY, CHIEF OF STAFF
ARTHUR W. FUNK, CHIEF CLERK

The Honorable Dean Rusk
Secretary of State
Washington, D. C.

Dear Mr. Secretary:

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*of: in Laos CIA
connect. w.*

Sincerely yours,

J. W. Fulbright
J. W. Fulbright
Chairman

Enclosure

CONFIDENTIAL

FILE: HBILKA

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UNIT: OGC
EXT: 7521
DATE: 13 December 1971

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DDP, ADDP

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(reference number)

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CITE DIRECTOR

BANGKOK INFO HBILKA TAIPEI, TAIPEI 241830 7

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1. CAPTAIN ROBERT W. BAILEY IS FORMER HELICOPTER PILOT FOR AIR AMERICA WHO HAD BEEN INVOLVED IN H-34 HELICOPTER ACCIDENT IN LAOS ON 16 JUNE 1970. AS RESULT OF ACCIDENT INVESTIGATION BY COMPANY, BAILEY'S EMPLOYMENT TERMINATED 28 SEPTEMBER 1970. FAR EAST PILOTS ASSOCIATION (FEPA) FILED GRIEVANCE AGAINST COMPANY ON BEHALF OF BAILEY AND SAID GRIEVANCE NOW SUBJECT TO REVIEW IN ACCORDANCE WITH PROCEDURES OUTLINED IN FEPA AGREEMENT. MR. BRACKLEY SHAW, WASHINGTON ATTORNEY, ENGAGED BY AIR AMERICA TO REPRESENT COMPANY; CAPTAIN WELDON D. BIGONY, ^{FORMER} PRESIDENT OF FEPA, WILL REPRESENT BAILEY.

2. SHAW IS REQUESTING BIGONY TO COME TO WASHINGTON END OF DECEMBER FOR CONFERENCE ON CASE. UNDER FEPA AGREEMENT ON SYSTEM BOARD OF ADJUSTMENT, IF HE AND BIGONY AGREE THIS WILL END APPEAL. IF NO AGREEMENT, PROCEDURES CALL FOR THEM TO SELECT

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THIRD PARTY FOR FINAL ARBITRATION OF MATTER. THIRD PARTY SHOULD BE SOMEONE WITH APPROPRIATE SECURITY CLEARANCE IN VIEW OF NATURE OF FLIGHT AND CARGO.

3. WE WOULD APPRECIATE IT IF YOU WOULD DISCUSS WITH DEFENSE ATTACHE BANGKOK, WHO WE UNDERSTAND IS AIR FORCE COLONEL, IF HE WOULD BE IN POSITION TO PARTICIPATE AS THIRD PARTY IN EVENT FINAL SYSTEM BOARD OF ADJUSTMENT PROCEEDING REQUIRED. SUCH HEARING WOULD BE END OF JANUARY OR FEBRUARY IN BANGKOK AND MIGHT TAKE AS LONG AS SEVERAL DAYS. IN EVENT DEFENSE ATTACHE IS NOT IN POSITION TO ASSIST, COULD HE OR YOU SUGGEST QUALIFIED PERSON TO ACT AS THIRD PARTY. THIS SHOULD BE SOMEONE OF SOME STATURE, PREFERABLY WITH EXPERIENCE AS HELICOPTER PILOT IN VIEW OF TECHNICAL NATURE OF SOME OF THE PROBLEMS INVOLVED. IDEALLY, SEVERAL NAMES COULD BE SUGGESTED FROM WHICH SHAW AND BIGONY COULD CHOOSE.

END OF MESSAGE

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WILLIAM E. NELSON
C/FE

L. R. Houston
LAWRENCE R. HOUSTON
General Counsel

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