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SUMMARY

The strategic importance to the US of Latin American civil aviation lies in the substantial contribution it could make to the military airlift capabilities of the Western Hemisphere. This potential contribution has been enhanced by the rapid postwar development of Latin American airlines and the near standardization of their equipment with US-manufactured transports of types in current use by US airlines. Latin American airlines, moreover, could serve as ready vehicles for access to important raw materials required by the US in time of war. The present close association with the US in aviation matters is also a circumstance of political importance to the US. This association has furthered acceptance by many Latin American countries of the basic principles of US air policy and resulted in the adoption by such countries of formulae for use in bilateral civil air negotiations which are consonant with US aims for competitive opportunity in international civil aviation. Latin American civil aviation is of economic importance to the US as a medium for US capital investment, as a direct outlet for the US aircraft industry, as a producer of foreign exchange for Latin America and therefore a stabilizing factor in international trade.

Latin American civil aviation has experienced a rapid development in the postwar period, largely as a result of US financial, technical and educational aid. The purchase at low cost of relatively modern US surplus aircraft and equipment has enabled Latin American scheduled airlines to acquire a fleet of

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approximately 700 transport aircraft of all types, of which 88 percent are of US manufacture. Of these, 450 aircraft are at least as large and as modern as the DC-3. The extent of postwar airline expansion is evidenced by the fact that the mileage scheduled by South American airlines in 1949 was about seven times that flown in 1940, while Middle American airlines more than trebled their operations during the same period. Total Latin American scheduled mileage now amounts to slightly less than 20 percent of that flown by all scheduled US domestic and international carriers and about 11 percent of the world total of scheduled operations (excluding the USSR).

US influence in Latin American aviation has decreased to some extent since the war, a trend which may continue. Although the current gradual stabilization of Latin American civil aviation ^{is} as advantageous to the US, it has also reduced the financial and technical dependence of these countries upon the US in matters of air transport. Many Latin American countries now require that their airlines be substantially owned and effectively controlled by nationals. US stock holdings in Latin American-flag airlines have therefore been appreciably reduced with a consequent reduction in US influence over the affairs of these companies.

US interests will be adversely affected if international airline competition in Latin America becomes sufficiently intense to create a substantial trend toward Latin American protection of national-flag airlines against the competition of heavily subsidized foreign air carriers. The virtual monopoly of international

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services into Latin America held by US airlines in 1945 has already been dissipated by both the increased ability of Latin American airlines to provide international services and the establishment ^{by} of ^{carriers of routes} six European services to or through Latin America. Although there is not yet a marked trend toward restriction of foreign airlines, international competition has caused some Latin American countries to seek acceptance in bilateral civil air negotiations of restrictive principles, such as limitation of the flight frequencies of foreign carriers operating into their territory and arbitrary division of air traffic between their own carriers and those of other nationalities operating over competitive routes. Several Latin American governments have even attempted to deny "Fifth Freedom" rights to foreign airline competitors over certain segments of a common international route. While these efforts have been largely unsuccessful, they are worthy of note as being in opposition to basic US policy regarding international aviation. Should a movement of this nature make appreciable headway in Latin America, it would give impetus to a trend for restriction of foreign operating rights which ^{already} is causing concern to the US in other areas of the world and which could eventually affect the ability of US carriers to compete successfully over world routes.

An additional factor which may tend to decrease US influence in Latin American civil aviation in the future is the devaluation of currencies in the

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sterling areas and the scarcity of dollars in Latin America. As a result, the purchase of new types of British and European air transport equipment will be advantageous and American aircraft manufacturers probably will encounter growing sales resistance from Latin American airlines. Should this trend become marked, it could put an end to the standardization of Latin American airline equipment with US type aircraft, thereby reducing the effectiveness to the US of Latin American airlift assistance in a major emergency.

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