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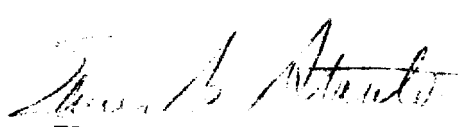
OPERATIONS COORDINATING BOARD
Washington 25, D. C.

February 10, 1955

MEMORANDUM FOR THE BOARD ASSISTANTS

SUBJECT: Outcome of United States-India Air Transport
Negotiations

The attached paper on the "Outcome of United States-
India Air Transport Negotiations", transmitted by the
Chairman of the OCB Working Group on NSC 5409 (South Asia),
is forwarded for your information.


Elmer B. Staats
Executive Officer

Attachment:
Subject paper.

NSC review(s) completed.

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Outcome of United States-India Air Transport
Negotiations

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When it became apparent during the past month that it would be impossible to reach an understanding with the GOI under which the Air Transport Agreement could be continued in force subject to mutually acceptable interpretations thereof, the US requested that the GOI issue permits to PAA and TWA enabling them to continue service at a reduced level of two round trips per week to and through India. The US also offered to limit PAA to one traffic stop at New Delhi or Calcutta on each flight. This was accepted by the GOI and permits were granted for one year.

Although this arrangement is not a very happy compromise, the following must be acknowledged:

1. Although in the 1953 consultations in New Delhi the US delegation offered to reduce the TWA service from three flights to two flights per week, it was also authorized to go so far as to propose a similar reduction of PAA service if judged necessary to secure agreement. The present level of operation is comparable to that which the US was willing to agree to if necessary 18 months ago as an interpretation of the Agreement. This complete proposal was not made in 1953, primarily because this concession would not have resolved the differences between the two governments' positions at that time.
2. Continuance of two flights per week, which appears to be a minimum level of service, is far more acceptable to both the US Government and the two airlines than suspension of service to India or reduction to one flight each per week, the maximum justified according to the Indian interpretation of the Agreement.
3. Continuance of services is believed to place the US in a better position to work out a satisfactory long term arrangement with the GOI than would be possible if service had been terminated.
4. The US aviation policy position is preserved with a minimum of compromise. The US did not accept the GOI position, which, in addition to curtailment of frequencies, also called for specific limitation of traffic carried between India and third countries in order to provide Indian airlines with "reasonable and adequate opportunity for development in their legitimate sphere." Acceptance would have resulted in immediate demands from other foreign countries for immediate revision of US policy and consequent pressure for reduction of services to such countries.

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From the outset the 1946 Air Transport Agreement had, in Article IX, a serious and unique weakness from the US standpoint in that it gave the GOI the unilateral right (following consultations) to impose restrictions on US air services to and through India. The GOI had never exercised this right, apparently because of its conviction that the US would have resisted strongly any such effort. The US remained in a weak bargaining position in view of the lack of Indian air service to the US.

Following receipt of notice of termination on January 14, 1954 the Department, the CAB, and representatives of the two airlines agreed to defer until fall discussions with the GOI, in anticipation of a modification of the Indian attitude toward international air service so as to bring it closer to the US attitude. This change did not develop, and the Embassy commenced discussions with the GOI in late November, scarcely six weeks before expiration of the one year notice period.

In view of the short period of time remaining, the best possible efforts were made. Several successive approaches to the GOI were made by Embassy New Delhi, aimed at preserving the 1946 agreement. Following rejection by the GOI of these proposals, and US rejection of certain counter-proposals, the US requested authorization to continue services on a unilateral permit basis. The GOI apparently desired to find some way to accommodate the US without seriously jeopardizing its own position and, hence, granted the authorization as requested. India at the same time expressed the hope that a new agreement could be negotiated within the year. The GOI had in mind the fact that the essence of its proposals to the US had already been incorporated in its agreement, negotiated in previous years, with the UK, Netherlands, Australia, and others. The US carriers' services are continuing for another year, on a reduced frequency basis, without any specific limitations as to types of traffic.

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FROM:

OCB

TELEPHONE NO.

DATE

10 Feb 55

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FORM NO. 610
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