

D R A F T

(Dear Russ:)

(When Admiral Zumwalt visits His Imperial Majesty, the Shah of Iran, on his forthcoming visit to Iran, we propose that he outline the advantages the Government of Iran would realize from a bilateral or equal access agreement (so that His Majesty would be receptive to entering such an agreement.)

The proposal for a bilateral or equal access agreement is fully in accordance with the United Nations draft convention covering liner trades generally. The proposal would cover the transportation of dry cargo transported by water between Iran and the United States. It would not cover the transportation of military cargo or petroleum products. Similar agreements have been entered into by the United States with a number of countries, principally in Latin America. Those agreements have proved to be beneficial to all concerned and follow the formula prescribed by the United Nations of 40/40/20, that is, 40% for each of the national flag shipping lines for the two countries concerned and 20% for third-flag or other nations. The advantage of this agreement would be to provide for control of a substantial portion of the trade between the two countries by the national flag lines of each country, and on the part of Iran, would give them access to Ex-Im Bank financed cargoes.

Statistics reveal that the majority of the cargo moving between the United States and Iran is now carried by third-flag carriers. If there were a decrease in third-flag carriage and a corresponding increase in the carriage by the national flag lines of the two countries, additional

earnings of these vessels would accrue to the respective national accounts and would give employment to the citizens of those countries. By using third-flag vessels, the earnings accrue to other nations, and employment is given to their citizens. Use of national flag lines also results in lower transportation cost because of the taxable earnings going to the governments of the national flag lines.

By way of background, the following discussion of events to date is provided.

Waterman Steamship Corporation has taken the lead in pursuing the possibility of negotiating a bilateral or equal access agreement covering trade by sea between Iran and the United States. To that end, Waterman accompanied by a representative of the Maritime Administration has held discussions in Teheran with His Excellency, Dr. Manouchehr Taslimi, the Minister of Commerce for Iran, and the former Deputy Managing Director, Commerce, for Arya National Shipping Lines. Dr. Taslimi reacted very favorably to the proposal and then called upon the representative of Arya for a response. The Arya representative expressed his view that a bilateral or equal access agreement would require the cooperation of other American-flag carriers and the approval of both the Federal Maritime Commission and the Maritime Administration. Waterman pointed out that any such agreement under the laws of the United States would include all American-flag carriers serving Iran directly by water. As to the second point, the presence of the representative from the Maritime Administration in Iran at our discussions showed that the United States Government agencies concerned were aware of and had approved our efforts to date. The Arya .

representative stated his position as being in favor of continuing discussions leading toward an agreement. Dr. Taslimi expressed positive interest in proceeding with meetings between the American and Iranian flag lines to work out the necessary details and expressed his opinion that a bilateral or equal access agreement would be beneficial and acceptable to his government if agreement could be reached on details. Dr. Taslimi volunteered that after an agreement satisfactory to both sides had been drawn, he would be glad to present the idea to His Imperial Majesty for approval.

Following those discussions, the Assistant Secretary of Commerce for Maritime Affairs held a meeting in his office at which there were present the three lines which provide direct service on water routes to Iran, namely, Pacific Far East Line, Central Gulf Lines, and Waterman Steamship Corporation. All lines were interested in the proposal and expressed the desire to work out an appropriate agreement. The Assistant Secretary asked for additional information and promised to bring the matter to the attention of those concerned in our Government at the very highest levels with a view to obtaining advance approval for the negotiations which we hope can take place in the near future. As soon as these matters have been taken care of, we expect to be in touch with the responsible officials in Iran with a view to arranging a further meeting between the three U.S. lines concerned and the Arya and any other Iranian lines.