

The Mystery Man Of the Tanker Fleet

CURTIS CATE

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Aristotle Socrates Onassis

ONE EVENING last July, just as dusk was falling, a large white yacht nosed into the tiny harbor of Monte Carlo and tied up at the dock. This was no ordinary vessel. Once a Canadian frigate, she had steam-turbine engines capable of driving her at a brisk twenty knots. Beneath the bridge was a spacious office equipped with a telephone system able to communicate with any city or ship within five thousand miles. Each of her twelve luxurious cabins had a private bath. Her comfortable book-lined smoking room had a wall covered with lapis lazuli. On the after deck was an inlaid floor of bright red, blue, and yellow mosaics depicting a Minoan bullfighting scene. This could serve in the evenings as a dance floor or else be lowered during the day by hidden motors to form the bottom of an outdoor swimming pool. From her great yellow funnel to the one-star flag of Liberia drooping over her stern, everything about the 1,600-ton *Christina* was as fabulous and unique as her proprietor, Aristotle Socrates Onassis, the multimillionaire owner of the world's largest private fleet of tankers and merchantmen.

As Onassis stepped ashore that evening he could feel that at last, after several particularly strenuous and momentous months, he had returned home. Two weeks earlier he had been in Kiel to take his yacht on her maiden voyage. Three weeks before that he had transferred the headquarters of his Société Olympique Maritime from its crowded of-

fices on the Avenue de l'Opéra in Paris to the more spacious quarters of the newly repainted and refurbished Sporting Club d'Hiver overlooking the harbor of Monte Carlo. One week prior to that he had been in Hamburg to witness the launching of the most colossal of all existing oil tankers, the 46,800-ton-capacity *Al-Malik Saud Al-Awal*, or *King Saud I*, named for Arabia's present monarch.

Not long before that, Onassis had been in New York arguing with lawyers and judges about an accusation brought against him and others by the U.S. government of having tried to defraud it of some \$20 million through the illegal purchase of surplus American ships. And as though that were not enough, the world was just beginning to wake up to the fact that the enterprising Greek shipping magnate had signed an agreement at the beginning of the year with the Saudi Arabian government that might one day give him the larger share of the transport of forty million tons of oil a year.

Onassis's activities and engagements on various fronts seem, if anything, to have grown in recent months. His right flank has been engaged by the Peruvian government, which recently seized and impounded five of his whaling ships on the ground that they had violated the two-hundred-mile fishing zone off its coast which it regards as its private preserve; and his left has unexpectedly been attacked by a fellow Greek entrepreneur named Spyridon Catapodis, who has filed suit against him in Paris for allegedly having drawn up a fake contract in disappearing ink that did him out of about \$570,000.

Tobacco and Tragedy

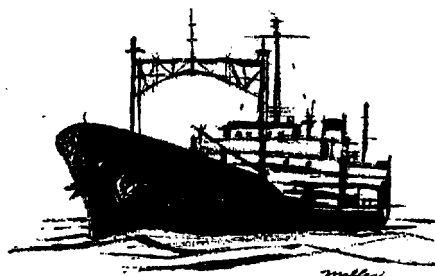
Aristotle Socrates Onassis was born in 1906 at Smyrna, then Turkey's most thriving port. His father, a tobacco merchant, was an important

businessman in the city. It was a family calamity that first projected the young Onassis on his spectacular career. The tragedy happened in 1922 during the Greco-Turkish war, when Smyrna was captured and a large part of the city was burned by the attacking Turkish soldiers. In the course of the sack the two-thirds of the city's inhabitants who were Greeks were either killed or forced to flee.

On rejoining the remnants of his persecuted family on the Greek mainland, Onassis's father found that he was the sole surviving male adult. In addition to his wife and his four children, he now had to take care of his four brothers' widows and their seven children—a total of sixteen people. Unable to do it on the now drastically reduced profits of his partly salvaged tobacco business, he called a family council. It was decided that the family's hopes should be pinned on the most vigorous and promising of the younger generation—sixteen-year-old Aristotle Socrates. Money was scraped together to buy him a steamer passage to South America, and with \$100 in his pocket he sailed for Buenos Aires to try his luck in the New World.

Horatio Socrates Alger

When young Onassis arrived in Buenos Aires, he had \$60 left. It was enough to allow him to take a small room in a cheap boarding-house and to start an intensive training course in switchboard operation in a language with which he was unfamiliar. After three weeks he became a regular night switchboard operator for the United River Plate



Telephone Company. Allowing himself just three hours of sleep a day, he used the remaining daylight hours to set himself up in the tobacco business, with which he was already well acquainted.

At that time only about ten per cent of all Argentine cigarettes were made with Greek, Bulgarian, and Turkish tobacco, the rest being either American or Cuban. Onassis promptly got to work to change this ratio. Operating out of his boarding-house bedroom as a self-established importer of Oriental tobacco, and with the help of his father in Greece, he managed in just two years to work up the proportion of eastern tobacco used in Argentine cigarettes to thirty-five per cent. At the end of that time he had given up his job as a telephone operator and was worth about \$100,000, well on his way to his first million.

By 1928 he was already so well known that the Greek government thought it natural to commission him to negotiate a trade deal with Argentina. He carried it off, and was rewarded by being appointed Greek Consul General in Buenos Aires at the age of twenty-two.

Into the Shipping Trade

By the time that the world depression of 1930 had set in, Onassis was rich enough to be able to cast around for other worlds to conquer. Irresistibly he was attracted by shipping. Characteristically, Onassis waited for the propitious moment before the launching. It came in 1931, when banks were collapsing and panic-stricken citizens all over the world

were anxiously stuffing banknotes under their mattresses. A Canadian steamship company in Montreal put up a fleet of ocean-going cargo vessels for sale. Onassis promptly moved in and bought up six of them for a mere \$120,000—or about one per cent of their cost price. (Proper timing has been one of the major secrets of Onassis's many business successes. Some years later, when he had acquired a small fleet of whalers, he piled up a large store of whale oil at a time when the world market was glutted. A year or two later a serious shortage developed, and he was able to liquidate the entire stock at a comfortable profit.)

The Tanker Race

Just as in the Argentine tobacco business Onassis had seen the possibilities of expanding the use of Oriental leaf, so in the shipping business he was among the first to realize that the future lay in oil transport. In 1939 Onassis had his first oil tanker built in Göteborg, Sweden. He gave it the distinguished name of *Aristophanes*. After the Second World War broke out, he had a small fleet of tankers and merchantmen. He promptly put his available ships at the disposition of the Allies and made impressive profits from high wartime freight rates.

At the end of the war Onassis helped form several companies that, along with others, bought sixteen surplus war tankers and freighters for some \$20 million. (By comparison, a recent tanker cost Onassis \$8 million to build.) It is this astute postwar bargain that has recently

gotten Onassis into hot water with the U.S. government because of a U.S. Maritime Commission decision forbidding the sale of wartime surplus ships to foreign concerns.

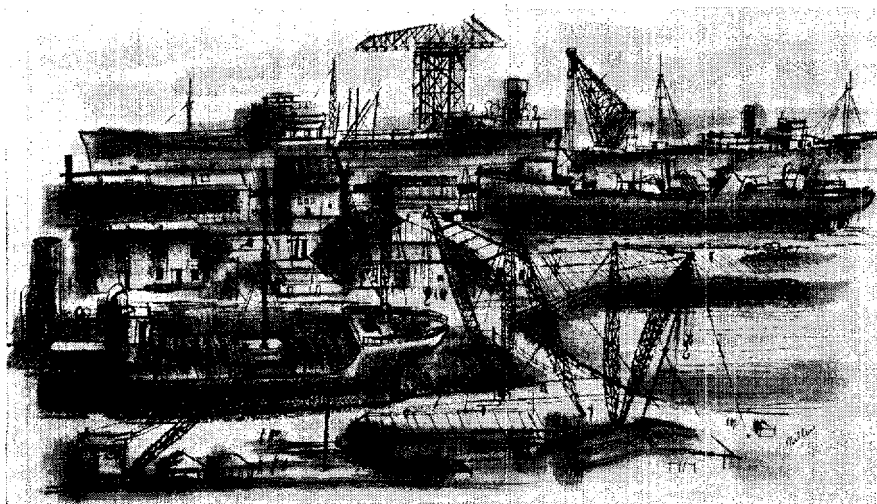
In terms of his present operations, this deal was small. Since it was made, there has been a revolutionary innovation in postwar oil transport. This is the simple realization that it is far cheaper to ship oil in large tankers than in small ones. A tanker of 15,000 tons' capacity needs a crew of about forty officers and men, but a 45,000-tonner, capable of carrying three times as much oil and at higher speeds, can get along with a crew of fifty. The resulting economies can make a difference of tens of thousands of dollars on a single ocean trip.

Brother-in-Law Trouble

In waking up to the momentous implications of this new fact, Onassis has been ahead of most of his rivals—with only one important exception. This is Stavros Niarchos, who happens to be not only a compatriot of Onassis but his brother-in-law as well. In December, 1946, Onassis married the seventeen-year-old daughter of Stavros G. Livanos, an old and respected Greek shipowner, in New York. Shortly thereafter Niarchos married Livanos's second daughter, Eugenie. As a result, the three—Livanos, Niarchos, and Onassis—now constitute the most formidable shipowning clan that the world has ever seen.

The building race between Onassis and Niarchos, which began during the war, has now reached enormous proportions. Its scale may be judged by the fact that in the single year 1954 Onassis commissioned seventeen new tankers with a total capacity of more than 375,000 tons. Niarchos at the moment has under construction nine tankers totaling 345,000 tons' capacity.

The heart of the competition lies in the construction of bigger and better "supertankers" (of more than 25,000 tons' capacity). Onassis got off to a head start two years ago with the launching in July, 1953, of the 45,000-ton *Tina Onassis* (named after his wife) at the Howaldtswerke in Hamburg. Seven months later, Niarchos launched a 45,500-tonner called *World Glory* at the Bethlehem



Steel yards in Quincy, Massachusetts. On June 5 Onassis took the lead again with the launching of the 46,800-ton *King Saud I*. But the race doesn't show any signs of stopping there. Niarchos is understood to be building two gigantic supertankers at the Vickers-Armstrong yards in England that are guaranteed to put even *King Saud I* in the shade.

But there is a natural obstacle to uninhibited growth — the depth of the Suez Canal. The *King Saud I*, which was recently chartered by the Socony-Vacuum Company for its maiden trip from Arabia, is expected not to be able to take more than 39,000 tons of oil through the Canal on its way to Europe.

When Onassis and Niarchos began their titanic duel several years ago, it was in the belief, then generally shared, that the annual increase in the world demand for oil would be of the order of eight per cent. This, it was estimated, would more than absorb the current production of supertankers. But this has not proved to be the case. The recent output of tankers has so far exceeded the amount of oil to be shipped that by last summer international freight rates had been forced down to the point where competition was really murderous, and Onassis was driven to putting newly launched tankers up for sale.

The Arabian Deal

Late in 1953, Onassis appears to have concluded that the best way he could protect himself against the depressed state of world tanker-charter rates would be to assure himself a large chunk if not the monopoly of the transport of oil from one or more Middle Eastern countries. The proposition could be made attractive to the interested country by having the prospective charter company registered as a Middle Eastern concern and have its tankers fly the country's flag. The idea was astute, because at more than one of the periodic meetings of the Arab League, Arab leaders have urged the creation or acquisition of national merchant marines.

Onassis therefore sent out one of his top directors, who spent four months touring the Middle East. He finally struck luck in Saudi Arabia, where the sudden death of King ibn-



Onassis and Sheikh Mohammed Abdullah Ali Reza

Saud seems to have brought about a momentary change of policy, perhaps because of the influence of several Arabs who have long been anti-American, like Jemal Husseini, a relative of the Grand Mufti of Jerusalem; Yussif Yassin, a Syrian who is deputy Foreign Minister; and Rashid Ali Gailani, the Iraqi politician who led the 1941 Nazi-backed uprising against the British in Baghdad. These men were only too glad to seize this opportunity of driving a wedge into Aramco's dominant position in Saudi Arabia.

The resulting contract, signed in January, 1954, was one of the most fantastic ever signed in the history of oil negotiations. Under its terms Onassis was obligated to contribute 500,000 tons of tanker shipping toward the establishment of the Saudi Arabian Maritime Tankers Company, Ltd., which was to have its headquarters in Arabia. Its tankers were to fly the Saudi Arabian flag, but it was to be owned and directed by Onassis. The new company was to have the priority rights on the shipments of Arabian oil, with the sole reservation that nothing would be done to interfere with the existing oil-transportation arrangements made by tankers owned and registered in the name of Aramco's parent companies (Standard Oil of New Jersey and California, Socony Vacuum, and the Texas Company) on or before December 31, 1953. In return for this privileged status, Onassis's new company was obligated

to hand over one shilling and sixpence as royalty rights on each ton of oil transported and to set up a maritime school in Jiddah for the training of fifty Arabians a year in the science of navigation and naval engineering.

The secret of this deal was so well kept that it was only four months later, in May, that knowledge of its provisions began to leak out. The result was an uproar in shipping circles in London and New York. Most immediately threatened by the new monopoly were the British shipping interests, and after them Norwegian, Danish, and Swedish ship-owners who have been transporting most of the Saudi Arabian oil that is not carried in Aramco parent-company ships. But the secret accord was even a long-range threat to Aramco itself. For the fact is that few of the oil tankers were actually owned and registered in the name of the Aramco parent companies prior to December 31, 1953, and they can carry only forty per cent of the oil coming out of Arabia. Thus, if the contract were strictly carried out, most of Aramco's tankers could also be eventually forced out of the Arabian oil market through obsolescence, and Onassis's company could be assured of a virtual monopoly on the transport of more than 40 million tons of oil a year.

The Catapodis Accusations

The most amazing thing about this extraordinary bargain, however, was

the price at which it was obtained. Officially Onassis was required to pay only the Saudi Arabian government one shilling and sixpence (or twenty-one cents) as royalties on every ton of oil he transported, or just four per cent of what he would be getting for the journey from the Persian Gulf to England. This contrasts with the fifty per cent (more than \$5) that the Saudi government gets from Aramco on the profits of every ton of oil extracted from Arabian soil. At the start, with 500,000 tons of tankers committed to the new company which would transport four million tons of oil a year, the most Arabia could get out of the deal would be \$840,000—less than a two-hundredth of what it gets every year from Aramco.

Spyridon Catapodis, the Greek entrepreneur who brought suit against Onassis in Paris, has accused him of having obtained this fantastic bargain by bribing the former Saudi Arabian Finance Minister, Sheikh Abdullah al Suleiman al Hamdan, and the present Minister of Trade, Sheikh Mohammed Abdullah Ali Reza, to the tune of some \$830,000. Ali Reza has vigorously denied the charge, but Abdullah Sulciman is now hardly in a position to. Last fall he was summarily dismissed by King Saud as Finance Minister when he was implicated in a deal with a German engineering company.

Double Cross?

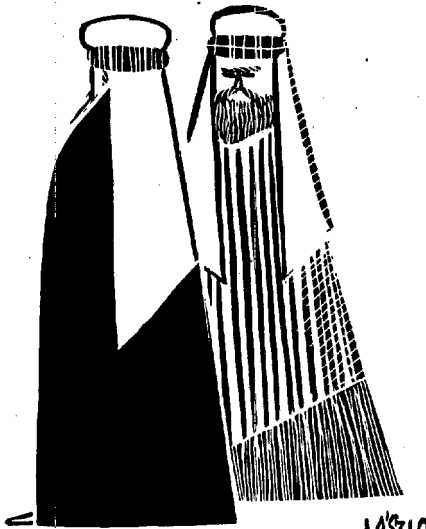
Explanations like Catapodis's, however, seem insufficient to account for such a one-sided bargain. The truth here looks more complex. There is some likelihood that the Saudi leaders signed the agreement with an eye to the future rather than to the present. Once they had enough trained seamen and engineers there would be nothing to prevent them from nationalizing the Saudi Arabian Maritime Tankers Company and expropriating Onassis's ships.

Many other aspects of the deal remain mysterious. On the surface of it such a bare-faced attempt to carve out a one-man monopoly on the transport of Arabian oil could not fail to antagonize the British and American oil companies who operate tankers of their own, and on whose favor Onassis is dependent for business. This has led various observers

to put forward all sorts of theories.

According to one of these, Onassis had the secret support of the British, who were happy enough, after their own monopoly had been broken in Iran, to be able to drive a wedge into America's monopoly position in Arabia. According to another, Onassis had the secret support of certain powerful German financial interests, headed by the notorious Hjalmar Schacht, who were anxious to establish a German toehold in the Arabian peninsula.

ONASSIS'S OWN public explanation is that he made the contract simply because it is the natural trend, and because sooner or later the countries of the Middle East are bound to set



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up their own tanker companies. There is probably some truth in this, but Onassis, though a farsighted man, is not one to risk present profits on future speculations that are vague. The probability, therefore, is that he undertook the contract knowing perfectly well that it would be unacceptable to Aramco, but in the hope that he could goad it into granting him a larger share of long-term tanker contracts than it has in the past.

Aramco has steadily refused to accept the contract, claiming that it runs counter to Aramco's 1933 concession in Saudi Arabia. The Saudi Arabian government has not yet officially repudiated the contract, and the dispute is to be thrashed out before an international lawyer in Geneva the middle of next month.

The most responsible prediction at

present is that it will result in some compromise.

Renaissance at Monte Carlo

Battling with Aramco or the Peruvian government or with irate Greek entrepreneurs does not take up all Onassis's attention. His great dream now is to restore Monte Carlo to its turn-of-the-century wealth and elegance, when it was the favorite haunt of the crowned heads and bejeweled shoulders of Europe, when it was visited by such international celebrities as the Kings of Denmark and Sweden, when its opera was world-famous and attracted conductors like Massenet and Saint-Saëns, and when Nijinsky and Karsavina starred in ballet under the inspired guidance of Diaghilev.

Broken Bank

A start has already been made with the Casino. With the aid of the new inflow of capital provided by Onassis a serious effort is being made to get that famous institution out of the red, where it has been for some years. Floodlighting has been introduced to set off its rococo beauties amid the surrounding palm trees, the ponderous Victorian furniture of its vast salons is slowly being replaced with something gayer, and there is even talk of air-conditioning the copper dome. The results, it seems, have been startling. For in 1953 the Casino lost only 8 million francs, compared with 60 million the year before.

For Onassis all this represents a mere beginning of his projected renaissance. He is convinced that the salvation of the elegantly decaying resort town can only be accomplished through the enlargement of the scope of its attractions. His idea is to turn Monte Carlo into a year-round resort capable of rivaling other Riviera spots like Cannes or Juan-les-Pins by offering a variety of possibilities for swimming, aquatic sports, and yachting—even if it means having to bring in truckloads of white sand to cover the city's rocky beaches. "I plan to destroy the legend of Monte Carlo as a gambling resort where people lose money and grow bored," he declared some time ago. He might just do it at that; Onassis has pulled off bigger things since he left Smyrna at sixteen.