

Middle East Oil

EXTENSION OF REMARKS

OF

HON. HERMAN WELKER

OF IDAHO

IN THE SENATE OF THE UNITED STATES

Thursday, November 18, 1954

Mr. WELKER. Mr. President, while we are preoccupied with the censure of one of our Members, events of great importance, which concern us deeply, are taking place throughout the world. We might better be devoting our attention, for example, to what has been termed "a time bomb ticking away in the Middle East" which concerns the oil transportation agreement between Saudi Arabia and the shipping magnate, A. S. Onassis.

Mr. Onassis, together with a number of other individuals, is under indictment in the United States District Court for the District of Columbia, on a charge of conspiracy to violate sections 371 and

1001 of title 18, the Merchant Ship Sales Act of 1946.

The Government of Peru this week seized certain vessels which belonged to Onassis. His operations are also a subject of concern to the State Department of the United States and of the British Government with respect to the contract he has signed with the King of Saudi Arabia.

The explosive possibilities of this arrangement have been set forth in Newsweek magazine, issue of November 15, 1954, and in an article appearing in the New York Journal of Commerce, November 12, 1954.

So that Senators may study the subject, I ask unanimous consent that the two articles be printed in the Appendix of the RECORD.

There being no objection, the articles were ordered to be printed in the RECORD, as follows:

[From Newsweek of November 15, 1954]

MIDDLE EASTS FABULOUS ONASSIS AND OIL

(A man and events: For months United States officials have kept their fingers crossed while a time bomb ticked away in the Middle East. This bomb was the oil transportation agreement between Saudi Arabia and the shipping magnate A. S. Onassis. Here is the story of the agreement—the explosive situation it created, how it seems likely to turn out, and the man behind it.)

As clear as the evening summons of the muezzin to Allah's faithful, sounds of trouble were heard last week throughout the Arab world, from the rough hills of Algeria to the narrow valley of the Jordan. The French were surprised by a sudden spread of terrorism from Tunisia to hitherto peaceful Algeria. Jordan-Israeli relations took a quick and ominous turn for the worse.

But the most immediate and perhaps the gravest crisis concerned Saudi Arabia and the international oil industry. Up until now this crisis has not made headlines, although at one point American and British policymakers feared it might follow the course of the Iranian oil dispute. Now confidential advices from abroad indicate that King Saud has taken a hand and that a decisive and probably hopeful turning point may be reached shortly because of his efforts.

BAFFLING ARI

The central figure is a fabulous Greek—Aristotle Socrates Onassis, owner of a worldwide tanker empire, of a dominant share in Monte Carlo's chief enterprises, and of one of the world's most luxurious yachts. Onassis (Ari to his friends) is not the mysterious and ruthless character that newspapers and magazines portray. Nonetheless, the role he set for himself in the Arabian oil industry has produced baffling and as yet largely undisclosed intrigues.

The crisis began when an agreement was completed on January 20, 1954, between Saudi Arabia, represented by the Finance and Economics Minister, Sheik Abdullah el Sulaiman, and Onassis, represented by Sheik Mohammed Abdullah Ali Ridha. The chief terms:

1. The formation of a company called the Saudi Arabian Maritime Tanker Co., Ltd., with at least 500,000 tons of tankers.

2. Shipment of all Saudi oil exports in tankers of the company, except that first preference would go to tankers owned by companies with concessions in Saudi Arabia—but under severe restrictions.

3. The shipment of oil at a predetermined minimum rate.

The Onassis contract was immediately interpreted by the major oil companies as a worldwide threat to the industry. Aramco, which holds the concession for Saudi Arabian

(CONT'D NEXT PAGE)

1954

## CONGRESSIONAL RECORD — APPENDIX

A6863

oil, bitterly opposed the arrangement as contrary to the terms of its own concession. Aramco officials claimed that under the contract Saudi Arabia would be obliged immediately to ship 50 percent of its oil in Onassis tankers while other companies gradually would be cut out completely.

## TRADE THROTTLE

In a speech in Los Angeles on September 29, B. Brewster Jennings, president of the Socony-Vacuum Oil Co., said: "The proposal has extraordinarily far-reaching dangers. It is completely contrary to the specific terms of the Aramco concession, but even that is perhaps less important than what it could do to world trade. Obviously, if a given country with an exportable commodity could require that all of that export be carried in its own ships, an importing country could with equal logic require that all its imports be carried in its own ships. Thus, if all countries were to follow the Onassis plan, there would be no international trade at all."

Onassis issued a counterblast on October 4. He charged that "since the end of the war country after country" has enacted "preferential and discriminatory legislation" in order to create its own merchant marine and that "the United States has gone far beyond any other nation." (Onassis is under indictment in the United States in connection with a shipping deal.) He defended his contract as an "inevitable" development and claimed that his transportation charges would be "somewhat lower" than those of the big shipping companies—which were now engaged in a "most unholy persecution of me."

By August affairs had reached a point where Aramco officials privately said they would abandon the concession if the Onassis contract was put into effect. There were reports that Onassis planned to force a decision by sending the largest tanker in the world to Saudi Arabia to load oil. This ship, the 47,000-ton *Al Malik* Saud al Awal (King Saud I), was constructed for Onassis in Hamburg. As of last week it had undergone trials but Onassis had not yet accepted delivery.

## WEIGHTY THREAT

As things moved toward a showdown, weightier forces intervened, principally King Saud himself and the United States Government. The possibility of Saudi Arabia developing into another Iran represented a terrible threat to American policy in the Middle East. The United States is, therefore, through diplomatic channels, cooperating with the King in finding a solution to the problem.

Ibn Saud was regarded as perhaps the outstanding Arab leader of this era, and since his death the present King has emulated his father by carving a place for himself as one of the busiest and most important statesmen in the Middle East. He has focused his major attention on the problems of the region as a whole. The oil negotiations were handled by the King's functionaries. Now, however, Shiek Sulaiman, who negotiated the Onassis contract, has retired to live in Beirut, while Saud has informed United States Ambassador George Wadsworth that the agreement is being reexamined. If it conflicts with the Aramco concession, proper steps must be taken to eliminate such conflicts. There are some reports that the contract may be tested in a Saudi court or referred to the World Court. At any rate, Washington professes confidence in a satisfactory settlement now that the facts are coming before the king.

Onassis was reported last week in Jidda. On the way to Saudi Arabia in his yacht, the *Christina*, he stopped off in Beirut. A Newsweek correspondent reported from there that Onassis "hinted he had made some very big advances to various Saudi personalities in exchange for their cooperation in getting the deal through." The Paris paper,

L'Aurore, recently reported the oil companies "now claim they have documents proving that Ari, to get the treaty, made financial gifts to various ministers." Other sources abroad, particularly in Rome, say the oil companies are still trying to obtain the documents.

## AND WHO IS ONASSIS?

"Mr. Aristotle Socrates Onassis, of Greek birth and Argentine nationality, whose permanent residence is in Montevideo, and whose elected domicile is in Paris at 88 Rue Foche."

Thus the party of the second part describes himself in the text of the oil agreement with the Saudi Arabian Government. But this statement only begins to hint at the complex operations of the stocky, dapper 48-year-old cosmopolitan businessman. Onassis operates through some 30 corporations. His fleet of 100 ships includes a complete whaling flotilla and dry-cargo bottoms as well as 1,080,000 tons of tankers. He travels 100,000 miles a year on business. He speaks English, Spanish, French, Italian, and Turkish as well as Greek.

His homes range from a 4-story New York town house at 16 Sutton Square to the columned Chateau de la Croe, on 25 landscaped acres at the tip of Cap d'Antibes. From his Riviera residence, Onassis commutes by speedboat to his best-known office—the 3-story headquarters of the Olympic Maritime in the newly air-conditioned building of the old Winter Sporting Club at Monte Carlo.

## RAGS TO RICHES

Onassis has made a number of fortunes during a spectacular career that began in the 1920's when he landed in Buenos Aires—16 years old, \$60 to his name, and carrying a Nansen passport as a stateless person. The family—Greek tobacco merchants living in Smyrna (now Izmir)—had been ruined by the Greek-Turkish war. Onassis rapidly went from tobacco importing, to hides and grains, to shipping. By the outbreak of the Second World War, he was already in tankers on a successful but small scale. Onassis came out of the war worth a reputed \$30 million.

The secret of his postwar success was his shrewd analysis of prospects in the world tanker business. First, he believed that, contrary to the predictions of most experts, world petroleum consumption would increase at a fast pace. Second, he knew that the big oil companies, while expanding their capital facilities, were chary of overextending themselves by building too many tankers. Third, he discovered that supertankers could cut costs considerably below prevailing rates and still make a profit. Banking on these three interlocking factors, Onassis plunged into a large-scale program of tanker construction. He found liberal financing in New York, particularly from one of the biggest banks and one of the largest insurance companies.

## LAVISH BOSS

Onassis prefers to build most of his ships in West German yards, man them with largely German crews, and sail them usually under the flags of Panama, Honduras, Costa Rica, or Liberia. He thus avoids high construction costs and wage scales, and union regulations, but he boasts that he pays his seamen well above the going rates. The captain of his newest tanker in regular service, the 45,000-ton *Tinna* Onassis, is said to be the highest paid merchant seaman in the world, with the exception of the commodore of the Cunard Line.

The Onassis Monte Carlo headquarters has the unromantic, practical advantage of the fact that the tiny principality of Monaco levies no income taxes. Onassis' acquisition of the Société des Bains de Mer et Cercle des Etrangers, which runs the resort, is a revealing example of his methods. When the former directors of the company

refused to rent him office space, he quietly—and under four assumed names—began to buy up stock until he had a controlling interest. Now he plans to follow up his investment by spending more money to restore Monte Carlo to popularity with such touches as smooth concrete paving on the pebbly beach, air conditioning in the casino, and helicopter service from Nice.

## PARTY GIVER

Onassis conducts personal affairs on an equally grand scale. He regularly breaks in a new tanker with a series of spectacular parties on board. When he first brought the *Tinna Onassis* to Britain, he hired a fleet of limousines to transport his guests from London to Purfleet, halfway to the mouth of the Thames. Once he flew a group of New York businessmen to Peru, where a helicopter waited to shuttle them out to his whaling fleet for 2 weeks' fishing.

In December 1946, Onassis-married Athina Livanos, the pretty dark-haired daughter of Stavros Livanos, the doyen of Greek shipping magnates. Educated at Rosemary Hall in Connecticut and Miss Hewitt's Classes, Mrs. Onassis, now 24, is a naturalized United States citizen. Their children, Alexander, 7, and Christina, 5, also are United States citizens.

Onassis spends much time on his 303-foot yacht *Christina*, converted from a Canadian destroyer escort at a cost of \$2.5 million. Its appointments include a lapis lazuli fireplace, and a marble swimming pool with a bottom that rises to become a dance floor. For sport he skis, plays water polo, or water skis behind a seaplane. His choice of friends often astounds staid business acquaintances. For instance, in Hamburg, while he was having the *Al Malik* built at the Howaldt shipyard, his closest crony was a Greek piano player at the night club Die Insel.

Although he is now the owner of Monte Carlo, Onassis boasts that he has never gambled there. In general, his business risks are carefully considered. But now Onassis is deep in what many of his shipping associates consider a spectacular gamble. Of his 1,080,000 tons of tankers, 120,000 is comfortably tied up with United States companies until 1961. Another 330,000 is covered by a deal with Shell Tankers which expires in 1956. Few think this will be renewed. And he has an estimated \$75 million outstanding in American loans. Thus the Saudi Arabian contract may be vital to Onassis.

[From the Journal of Commerce of November 12, 1954]

## ONE MILLION DOLLAR MELON FOR SHIP DEAL—ONASSIS CONTRACT PAYMENTS BARED

(By Edward P. Tastrom)

Aristotle Socrates Onassis, Greek born shipping titan, who negotiated an oil transport treaty with the King of Saudi Arabia early this year, which has drawn world-wide protests, is reported to have paid approximately \$1 million to Government officials through an intermediary to help close the deal, according to a deposition, sworn to by one of the negotiators before the acting British consul general on September 27 in Nice, France.

The deposition and exhibits, copies of which have come into the possession of the Journal of Commerce, claim these sums were distributed as follows:

1. One hundred and twenty-five thousand pounds (\$350,000) to Mohamed Abdullah Alireza, now Minister of State, for bringing about signing of the contract.
2. One hundred thousand pounds (\$280,000) paid to Alireza but intended for the Minister of Finance to exempt Onassis' shipping company from taxes.
3. Two hundred thousand dollars to be distributed to palace officials who were close to the King.

A6864

## CONGRESSIONAL RECORD — APPENDIX

November 18

## OTHER DETAILS

The deposition says that in addition, Alireza is to get \$75,000 (\$210,000) after the first ship loads her first cargo of oil under the contract, as well as other benefits.

The statement further declares that the payments were made by drafts drawn on a Zurich, Switzerland, bank.

The final transaction was reported closed April 7, 1954, 2 days before the treaty was signed by the King and made public.

The oil transport pact, which has been protested by the United States, United Kingdom and six other leading maritime nations, gives Mr. Onassis, in exchange for putting at least 500,000 tons of shipping under the Saudi Arabia flag, and other considerations, priority in the ocean movement of oil from the lush Middle East field.

The contract runs for 30 years and sets up an involved formula of existing tonnage replacement by Onassis ships, which has been interpreted to mean that eventually Mr. Onassis will handle the bulk of Saudi oil at rates which could be considerably above world tanker charter prices.

## MAJOR PRODUCER

The major concessionaire and developer of the rich field is Arabian American Oil Co. (Aramco). This is an American-financed producing company which does not engage directly in ocean transport of the oil but sells to buyers who provide their own tonnage.

The company has claimed that the Onassis deal violates the pact which it holds with the nation, negotiated nearly 20 years ago with Ibn Saud (deceased), father of the present King.

It was reported earlier this week that Mr. Onassis was in communication with the King and that a few alterations would be made in the contract to calm international fears. A spokesman for the shipowner added: "There is no question of revising the entire agreement."

Other considerations, according to the deposition, to be given Alireza personally, once Onassis ships start moving the oil, are a royalty payment of sixpence per ton of oil moved, with a guaranteed minimum of \$50,000 (\$140,000) free and transferable sterling a year for duration of the pact, and sole agency for Onassis vessels in all Saudi Arabia ports at a fixed agency fee of \$100 (\$280) per vessel.

The covering letter provides that in case of Alireza's death before expiration of the treaty the sums will continue to be paid to his heirs.

At the time news of the treaty became known there were rumors that Mr. Onassis had posted a bond of \$1 million to guarantee performance under the pact.

The deposition declares that Mr. Onassis insisted on no penalty clause for nonperformance be incorporated in his agreement. He is also reported to have informed the Minister of Finance not to inform Aramco of the pact until he (Onassis) had an opportunity to discuss it with the company directly. This strategy, it was reported, was based on the possibility of getting some concessions from Aramco in return for canceling the pact with the King.

A somewhat similar situation was disclosed in Saudi Arabia recently involving the German engineering firm, Govenco. King Saud held the company's 140 employees prisoners for 7 weeks.

All were subsequently released, except four who were held as hostages to secure a favorable windup of the company's contract.

The scandal led to the resignation of Abdullah Suleiman, who quit office for reasons of delicate health.

It is reported that the disclosure of payments to effect the oil transport deal have been placed before the King. Whether he will take action and force revision or cancellation of the contract is now a matter for speculation.

Address by Averell Harriman Before  
Metropolitan Area Committee of  
Ukrainian Congress Committee

## EXTENSION OF REMARKS

HON. HERBERT H. LEHMAN

OF NEW YORK

IN THE SENATE OF THE UNITED STATES

Thursday, November 18, 1954

Mr. LEHMAN. Mr. President, Prof. Lev E. Dobriansky, of Georgetown University, president of the Ukrainian Congress Committee of America, has brought to my special attention an excellent speech delivered on Sunday, September 19, by the Governor-elect of New York, Mr. Averell Harriman.

Mr. Harriman delivered this speech before the metropolitan area committee of the Ukrainian Congress Committee, which was presided over by Mr. Stephen J. Jareña, the present executive secretary of this outstanding organization.

I ask unanimous consent that Mr. Harriman's speech, together with a declaration which was unanimously adopted by the 3,000 individuals assembled at this meeting, be printed in the Appendix of the RECORD.

There being no objection, the address and declaration were ordered to be printed in the RECORD, as follows:

ADDRESS BY AVERELL HARRIMAN BEFORE THE METROPOLITAN AREA COMMITTEE OF THE UKRAINIAN CONGRESS COMMITTEE, MANHATTAN CENTER, NEW YORK, N. Y., SEPTEMBER 19, 1954

I am happy to be with you today at this meeting of the Ukrainian Congress Committee. It is appropriate that your gathering is being held on Citizenship Day, when all of us—from whatever lands our fathers and grandfathers came—are pausing to give thought to our obligation as American citizens. Our greatest obligation, I believe, is to dedicate ourselves to the defense of freedom—with the determination to preserve freedom for ourselves and for all free men, and to help in the struggle to achieve freedom for the peoples who are now enslaved.

To me, freedom is the very essence of America. Everything that has gone into the building of our great Nation has contributed toward making the word "American" synonymous with freedom. Not just freedom from a foreign yoke, but freedom from tyrannical forces within. And not just freedom for those who live upon these shores, but freedom for all men. For it took all kinds of men to plant and bring to fruition the seed of freedom on American soil—the pilgrims who escaped religious persecution, the colonists who fought against economic and political injustice, and the countless millions from the Old World who poured into this new land seeking relief from oppression in many forms.

I am deeply sensitive to the sacrifices that immigrant groups like the Ukrainians have made in establishing themselves in America. It is a land of opportunity, and we wish to keep it so. I am happy to see the great contribution made by these immigrants, and the increasingly important positions their children are taking in all walks of American life. And today it will take all kinds—men of all national origins and religious beliefs, of all races and creeds—to keep America free and to expand the frontiers of freedom over the globe.

This dominant tendency that runs throughout our history—the unflagging struggle of our people to be free and to re-

of mankind in general. Since earliest times man has struggled to free himself from all forms of tyranny, and his struggle has known no geographical or political boundaries. Because there is this intimate connection between freedom in America and freedom in the world, Americans have always felt a special kinship for peoples whose will to be free and independent is unbroken, and have always extended a hand to help them. I am mindful, as I say these words, that few other peoples have fought as long and as stubbornly for freedom as the Ukrainian people.

Indeed, the entire history of the Ukrainian people—even as the history of the American people—is one long story of the struggle to be free. It is a struggle that goes back further than America's, to the beginning of the Middle Ages, when first the Russians and then the Mongols invaded Ukrainian territory and imposed their rule upon the Ukrainian people.

This year, 1954, marks the 300th anniversary of an historic event that we can well study now, because it set a pattern for much that has happened in our own time.

In 1654—300 years ago—the Ukrainian nation, sorely pressed for military assistance, turned for help to the Tsar of Moscow, who seems to have had much in common with the men who now rule in the Kremlin. A treaty was entered into at Pereyaslav for a military alliance. As the Ukrainians understood it, the treaty provided only for a military alliance against a common enemy, and contained no threat to the independence or sovereignty of the Ukraine.

The real intention of Moscow, however, was of an opposite nature. There the treaty was interpreted as an act of submission, rather than as an alliance among equals. Russian garrisons, which were permitted in the Ukraine under the guise of military allies, became the instruments and focal points for enforcing upon the people the protection of the "big brother" in Moscow.

The guaranty of sovereignty of the Ukraine in respect to religious beliefs and national freedom and independence were violated by Moscow in the execution of Ukrainian leaders, the arrest and execution of scholars, the liquidation of the Ukrainian Orthodox Church, and the ultimate assimilation of the Ukraine as a part of Great Russia.

Many other independent nations, in eastern Europe and in Asia, have since disappeared into the embrace of the "big brother," under strikingly similar circumstances.

In 1917 and 1918 a free and independent Ukraine was reestablished, but regrettably its life was short indeed. The Ukraine once again, and again by the sword, became a part of the Russian empire—a new empire based on Godless communism, and ruled by the materialistic concept that the state is all and the individual is nothing.

Just as in 1654, the nations where the Kremlin's military power was established after World War II were relentlessly gathered under the Kremlin's protection—among them Poland, Hungary, Czechoslovakia, Latvia, Estonia, and Lithuania.

Today these oppressed people behind the Iron Curtain are denied the right to worship God in their own way, and are deprived of freedom of speech, freedom of the press, and the enjoyment of human rights.

In the Ukraine live 42 million people, 91 percent of them non-Russian. They represent 20 percent of the total population of the U. S. S. R. and are the largest non-Russian nation within the Soviet Union. A great many of these 42 million Ukrainians speak their own language in everyday affairs—a language that has been molded by such great national poets as Taras Shevchenko.

There is also in the Ukraine a fine literature, art, and music. I well remember the beautiful songs of the Ukraine which I heard when I was there, and I also remember the of the Ukrainian people.