

No. 348

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Memorandum of Conversation, by Nez Hallett of the Office of Near Eastern Affairs

CONFIDENTIAL

[WASHINGTON,] July 12, 1954.

Subject: Onassis Agreement and Pacific Western Oil Company

Participants: Mr. Hadfield, Representing PWOC

PED—Mr. Eakens

L/E—Mr. Metzger

NE—Mr. Gay

NE—Mr. Hallett

Mr. Hadfield called upon the Department at his request to ask the Department's position concerning Pacific Western reaching an agreement with Onassis to transport oil produced in the Saudi portion of the Saudi-Kuwait Neutral Zone. He said at the moment there was a preliminary oral agreement.

The oral agreement provides that beginning in October 1954 the recently launched King Saud (47,000 tons) will make three trips for Pacific Western, two to the West Coast of the United States and one to the East Coast. He said that the rate would be United States Maritime minus twenty percent for the first 30,000 tons and anything above that without charge. He believed that Pacific Western could load up to 40,000, which would bring the average discount to about 40 percent.

Mr. Hadfield stated that the agreement once signed was binding on Pacific Western unless Onassis reached an agreement with Aramco before the first shipment or at any time prior to the completion of the third shipment.

Mr. Hadfield was advised that since the United States Government has made representations to the Saudi Government to the effect that the Onassis agreement appeared to be contrary to the Aramco concession and that this agreement was at the present time being given serious study in the Department, the Department would prefer to defer temporarily its reaction respecting Pacific Western's course of action. Mr. Hadfield was urged to ask the company not to go ahead with the agreement until he had an answer from the Department. Mr. Hadfield agreed that he would do so but that the company was under great pressure from Onassis.

At this meeting the opportunity was taken to discuss with Mr. Hadfield a draft letter he had sent to the Department on February 11, 1954. This "draft letter" was to the Saudi Arabian Finance Minister in answer to the Finance Minister's letter of January 23, 1954,