

No. 361

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Memorandum of Conversation, by the Officer in Charge of Economic Affairs, Office of Near Eastern Affairs (Gay)

CONFIDENTIAL

WASHINGTON, August 16, 1954

Subject: Onassis case

Participants: Messrs. Case, Socony Vacuum and Coleman,
Standard Oil of New Jersey
Messrs. Brougham and Duce, Aramco
Mr. Murphy—G
Mr. Jernegan—NEA
Mr. Bechner—PED
Mr. Gay—NE

The representatives of the corporation called primarily to discuss the legal aspects of the Onassis case, although some attention was also given to Pacific Western's proposed agreement with Onassis. Mr. Hadfield of Pacific Western had recently discussed it with Aramco officials. Reference was made to the wording of the *Aide-Mémoire* handed to the Saudi Foreign Office on August 2, specifically to the omission of the sentence in the original version of the *Aide-Mémoire* which stated the Onassis Agreement to be "violative of the relative obligations assumed by Saudi Arabia on granting the exclusive rights set forth in the Agreement". It was felt that merely stating the Onassis Agreement was "inconsistent" with the Aramco concession contract was not strong enough and that Mr. Wadsworth consequently felt restrained from stressing the legal aspects of the case. Mr. Case said all legal opinions they had obtained so far agreed to the violative nature of the Onassis Agreement including British and Islamic opinion. These legal opinions are to be provided to the Department.

Mr. Brougham who was present at the time of the first discussion of the Onassis Agreement with the King and Faisal alluded to the King's statement, and it has been repeated by Saudi officials, that they did not intend to violate the Aramco concession agreement. He felt, therefore, that our strongest position lay in stressing the legal violation implicit in the Onassis Agreement. In this connection reference was made to the arbitration clause in Aramco's concession contract, the corporation officials indicating that arbitration of the case would not be objectionable if the Saudi Government wished to apply this procedure.

Mr. Jernegan indicated that the Department's legal counsel has had some reservations about the strength of the legal position