

## No. 366

886A.2553/9-654

*Memorandum of Conversation, by the Deputy Assistant Secretary of State for Near Eastern, South Asian, and African Affairs (Jernegan)*<sup>1</sup>

CONFIDENTIAL

[WASHINGTON,] September 6, 1954.

Subject: Onassis-Saudi Agreement

Participants: Mr. Spyros P. Skouras

General Smith, Acting Secretary

NEA—John D. Jernegan

General Smith and Mr. Jernegan gave Mr. Skouras a general picture of the present state of affairs with regard to the Onassis Agreement. . . . General Smith said Onassis had approached Mr. John McCone recently and had said he would be willing to sell his entire tanker holdings at a loss. He had asked Mr. McCone to act as a sort of "honest broker" in arranging things with the oil companies. Mr. McCone, however, was not anxious to do this.

Mr. Skouras asked what solution we could suggest. Mr. Jernegan observed that . . . , the simplest thing might be for Onassis to tell the Saudis he thought a mistake had been made, that they had failed to take into account all aspects, and to propose cancelling the agreement. Mr. Skouras thought this was not feasible because of the amount of money Onassis had already invested. He fully agreed however that the agreement was a bad one and could not possibly be accepted by the oil companies. He had told Onassis himself that he had made a bad mistake.

Mr. Skouras thought the only solution would be for the oil companies to buy the Onassis tankers on a basis satisfactory to them. This would provide a solution to the whole problem without financial loss to the companies and without their having to give way on the important principle involved. It would also save the companies the expense of a long fight. If Mr. McCone had correctly understood Mr. Onassis' statement that he would be willing to sell out at a loss, Mr. Skouras thought the two parties should be gotten together. He asked whether he could quote Mr. McCone back to Mr. Onassis. General Smith said he thought this would be all right but he would telephone Mr. McCone on Tuesday morning (September 7) and then communicate with Mr. Skouras. Mr. Skouras then

<sup>1</sup> This memorandum of conversation was attached to a memorandum by Hadsel to S/S, dated Sept. 8, stating that it was forwarded for Smith's approval. A handwritten note on the memorandum by Jernegan asked if Smith had called McCone, and the answer was no. (886A.2553/9-654)