

\*CIA for transmission to Mr. Twitchell, who had an appointment to see the Saudi Finance Minister on Wednesday, September 29.

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

CONFIDENTIAL

[WASHINGTON,] September 24, 1954.

Subject: Onassis Tanker Problem

Participants: General Smith, Acting Secretary  
Mr. Spyros P. Skouras  
NEA—John D. Jernegan

Mr. Skouras reported that he had seen Onassis in Paris. Onassis had expressed himself as ready, willing and anxious to arrive at an understanding with the oil company. Specifically, he had offered to sell all of his tankers at their cost price less depreciation.

Subsequently, Onassis had sent Skouras a telegram which Mr. Skouras showed to General Smith and Mr. Jernegan. Boiled down, it said that Onassis was willing to negotiate but felt he had a very strong legal position (supported by legal opinions from several countries to the effect that his agreement did not infringe either the Aramco concession or international law) and that if Aramco remained intransigent arbitration under the concession terms would become inevitable. Onassis was sure the arbitration would go against the company, which would then not only have lost its fight in Saudi Arabia but would have established a precedent for similar shipping agreements in other oil producing countries which was just the thing Aramco most wanted to avoid.

General Smith commented that this telegram did not sound as if Onassis were in a chastened mood. Mr. Jernegan observed that Aramco also had a number of legal opinions in support of its position and seemed to feel very confident that it would win if the matter came to arbitration. He did not think the company would be receptive to a renewed suggestion that it negotiate with Onassis.

Mr. Skouras nevertheless expressed the hope that Aramco would at least allow him to discuss the matter with its representatives, so that he could determine for himself whether any basis for negotiation existed.

After leaving General Smith's office, Mr. Skouras admitted to Mr. Jernegan that Aramco was in a strong position because of the