

Sulaiman and Onassis negotiated an oil agreement that alarmed most of the world

## Middle East: Fabulous Onassis and Oil

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 (see page 48 for character sketch). 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 Jan. 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 Tankers Co., Ltd., with at least 500,000 tons of tankers.

2—Shipment of all Saudi oil exports in

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 per cent of its oil in Onassis tankers while other companies gradually would be cut out completely.

**Trade Throttle:** In a speech in Los Angeles on Sept. 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 Oct. 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 U.S. 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

### A Man and Events

For months U.S. 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.

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 oil, bitterly opposed the

who claimed that Davies was undercutting the Chungking Embassy's authority, and Sen. Joseph R. McCarthy, who has placed him in what he considered a pro-Chinese Communist clique in the Foreign Service.

A State Department loyalty board had cleared Davies of disloyalty nine times. A charge that he had committed perjury before a Senate Internal Security subcommittee in denying that he had sought to place others of doubtful loyalty in the Central Intelligence Agency was rejected by the Justice Department on the ground of insufficient evidence.

Last week, after an intensive inquiry into his past, and a "thorough and exhaustive" study of his admitted activities, Davies was fired for his "lack of judgment, discretion, and reliability." The actual firing was by Secretary of State John Foster Dulles, who had reviewed and sustained the findings of a special security board. Dulles made it plain that he was not accusing Davies of disloyalty but was designating him as a bad security risk.

In his statement, Dulles defended Davies' "right to report as his conscience dictated," but found that he had carried dissent with established policy "outside of privileged boundaries." Davies immediately issued a statement that he would not contest the Secretary's findings but added: "There has been enough recrimination. I am not prepared to add to it and thereby detract from the strength of my country in its mortal struggle with the Communist enemy." He said he would "let history be my judge."

## COUNTRYWIDE:

### Ticking It Off

►**Washington:** The National Lawyers Guild, accused by Attorney General Herbert Brownell Jr. of being the "legal mouthpiece" of the Communist Party, lost a legal skirmish. It had asked a Federal district court to enjoin Brownell from holding a hearing to determine whether the Guild should be listed as subversive. The court refused.

►**Chicago:** Maj. Gen. William J. (Wild Bill) Donovan, commanding officer (first world war) of the "Fighting 69th," second-world-war head of the Office of Strategic Services and more recently Ambassador to Thailand, was named chairman of a committee of the American Bar Association studying Federal and state law-enforcement systems.

►**Columbia, S.C.:** Lt. Gen. Robert L. Eichelberger, Pacific war hero (New Guinea) and commander of the Eighth Army in the early occupation of Japan, received the fourth star of a full general at a review at Fort Jackson. Eichelberger, who is now in retirement, lives at Asheville, N.C.

## Will Bipartisanship Work?

by Ernest K. Lindley

THE next two years in Washington can and probably will be different from any other period—in this century at least—when the President was of one party and control of Congress or one house lay with the other. Mr. Eisenhower is unusually qualified—uniquely among recent Presidents—to work amicably with the opposing party, and his program on the whole has wide bipartisan appeal.

On previous occasions when the party out of power acquired control of Congress or of one house at mid-term, the voters were clearly expressing a loss of confidence in the President or some of his major policies. This was so in 1910 and 1930 when the Democrats won the House, and in 1918 and 1946 when the Republicans won both houses. The 1954 results do not lend themselves to a similar interpretation. In the first place, the net change in the Senate and House was small. In the second, all but a few Democratic candidates refrained from attacks on the President, while many boasted of the support they had given him. Thirdly, it is commonly conceded that the Republican losses would have been substantially larger but for Mr. Eisenhower's appeals for a Republican Congress to help him carry forward his program.

Although Mr. Eisenhower was more active and more frankly partisan than Presidents usually have considered it wise to be in mid-term Congressional elections, he spoke with good will, doing or saying nothing to prejudice seriously his relations with a Democratic Congress. He is not by nature much of a partisan. The Democrats in Congress know this, and he has many personal friends among them. Indeed some of them still regret that they could not persuade him to run as a Democrat in 1952.

Mr. Eisenhower has retracted as an exaggeration his forecast of a political cold war if the Democrats controlled Congress. Most of the committee chairmen in both houses will be conservative or moderate Southern Democrats. A majority of the members of both houses will be conservative or middle-of-the-road. This would have been the case even if the Democrats

had gained several more Senate and many more House seats than they did. It has been the situation ever since the war. Mr. Truman's Fair Deal program did not fare much better in the Democratic Congresses elected in 1948 and 1950 than in the Republican Congress elected in 1946. Mr.

Eisenhower's middle-of-the-road program was designed to attract Democratic and Independent support.

Democratic backing has been indispensable to Mr. Eisenhower's foreign policy ever since he entered the White House. In this area he suffers nothing from the shift in control of the two houses and may even gain,

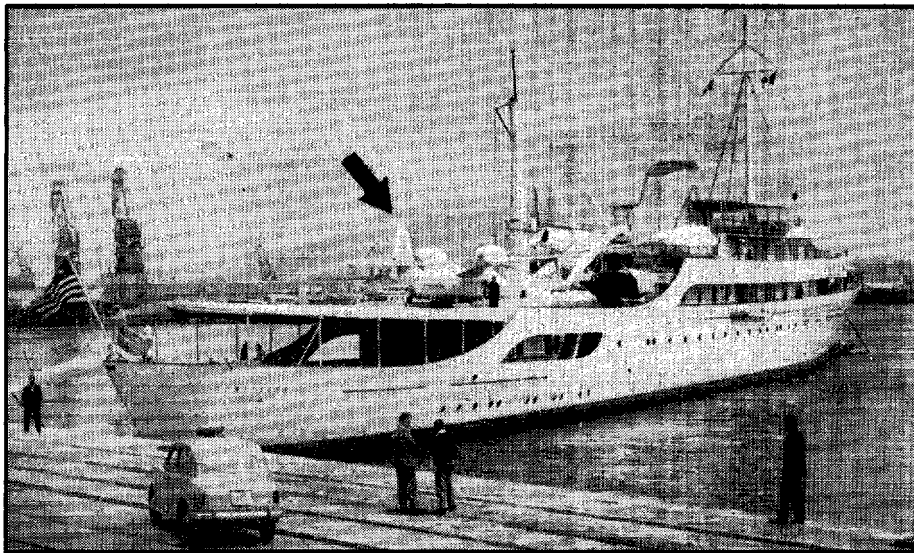
especially in the showdown on reciprocal-trade legislation. The appointment of a few experienced Democrats to the State and Defense Departments would help cement the bipartisan approach.

The election almost certainly has strengthened Mr. Eisenhower's position in his own party. Nearly all the Republicans elected to the Senate and House are beholden to him. It is reasonably clear that he stemmed the Democratic tide. Not least important, the election further deflated the already much-shrunken political prestige of Senator McCarthy.

The 1954 results contain some warnings to Mr. Eisenhower and the Republican Party. One is the familiar lesson that unemployment is a political hazard to the party in power. The Administration's power and conservation policies, among others, are likely to receive a critical review in Congress. The Democratic Party is very much alive. After all, it won the election. Its gains in the gubernatorial contests were especially impressive.

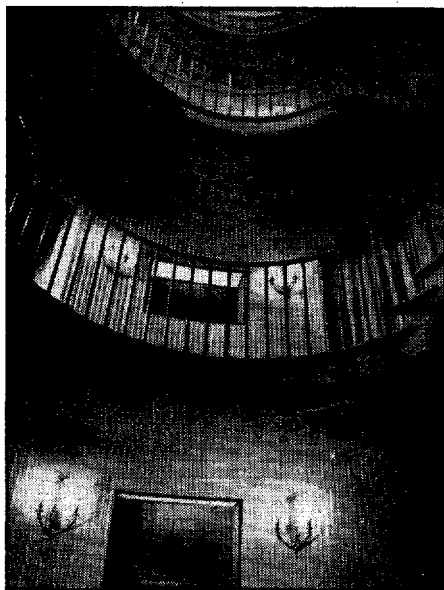
IN THE Senate and House elections, the Democratic gains were less than the average for mid-term swingbacks. But most of the big swingbacks of the past followed landslides. The starting point in this case was the narrow Republican Congressional victory of 1952. If both parties can derive satisfaction from the election, neither can gloat. A period of divided government will begin in an atmosphere of caution and restraint.



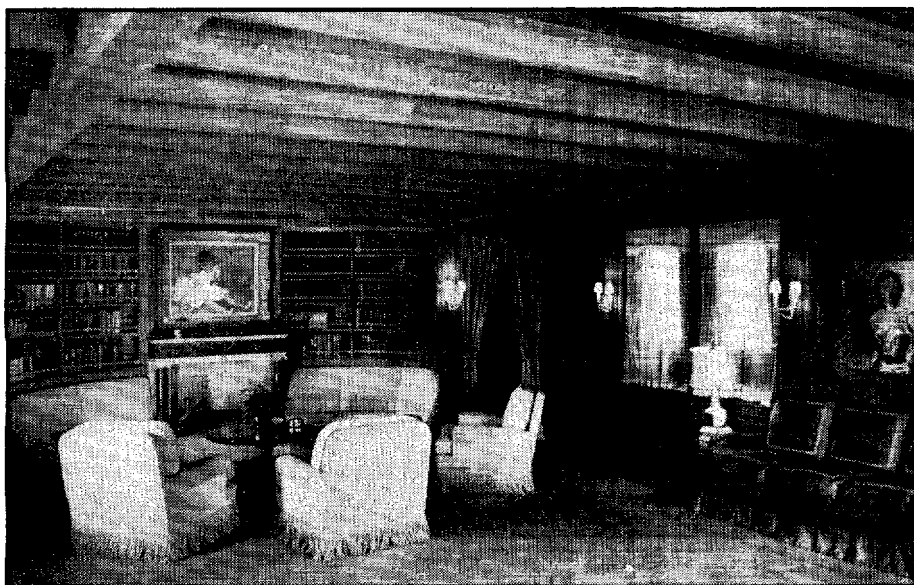


Associated Press

Onassis's yacht, Christina, sports a twin-engined amphibian (arrow)



... spiral staircase and ship models, a bar with nautical decor ...



Photos by Norbert Leonard

... and a baronial styled library with floor-to-ceiling bookshelves

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 U.S. Government. The possibility of Saudi Arabia developing into another Iran represented a terrible threat to American policy in the Middle East. The U.S. 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, Sheik Sulaiman, who negotiated the Onassis contract, has retired to live in Beirut while Saud has informed U.S. Ambassador George Wadsworth that the agreement is being re-examined. 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 Foch."

Thus the party of the second part

Newsweek, November 15, 1954

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