

## Arabian Peninsula Background Notes

# APBN-010

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## Onassis and the SATCO Affair of 1954

The attempt by Aristotle Onassis to create a monopoly on the tanker carriage of Saudi crude oil created the first major test in Saudi-American relations of the King Sa'ud era. It also involved Shaykh 'Abdullah al-Sulaiman, Saudi Arabia's long-time minister of finance. He was deeply involved with the affair because he was responsible for negotiations with ARAMCO and because of its financial implications for the kingdom. There are conflicting accounts of the origins of the agreement, who was involved, and the reasons for its resolution. Shaykh 'Abdullah is portrayed in some accounts as a principal villain in the affair and his resignation from his long-held position as minister of finance took place in the heat of the dispute. Credible evidence of his secret involvement in helping to arrange the agreement has never been presented, however, despite the considerable attention given to the matter in various publications.<sup>1</sup>

The origins of the scheme to capture the tanker market for Saudi oil is generally traced to Spyridon (or Spiros) Catapodis, a Greek shipowner based in southern France. This was the version given by ARAMCO in July 1954 when they told the State Department that

Catapodis had introduced Onassis to 'Abdullah (sic) 'Alireza, who apparently pushed the scheme through the Saudi government.<sup>2</sup> Catapodis' interest had been piqued on learning that the Iraqi government in the early 1950s was considering creating a tanker fleet under Iraqi flag to transport Iraqi oil. Catapodis interested Onassis in the Iraqi scheme but the opportunity disappeared with the August 1953 *coup d'état* in Iraq.<sup>3</sup>

According to Catapodis, he met Onassis in Cannes with Onassis in Cannes shortly after the coup and Onassis suggested that Catapodis pursue a similar arrangement with the Saudi Arabian government to carry about 10% of ARAMCO oil. Accordingly, Catapodis arranged to be introduced in Cannes to Muhammad 'Alireza, the president of the Saudi Chamber of Commerce, and his brother 'Ali 'Alireza, Minister of State, because their family controlled 90% of Saudi Arabian sea-going craft. They met again a few days later in Paris where Muhammad 'Alireza said that he was quite interested in the proposal and would discuss it with Shaykh 'Abdullah al-Sulaiman, who was in Geneva at the time. Muhammad asked for a payment of £350,000 when the

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*N.B. This background note is a preliminary attempt to present in summary form the essential details of a particular set of circumstances or event in Arabian Peninsula history. It lays no claim to being comprehensive or fully accurate. Although considerable effort has been made to assure the reliability of the information it contains, its accuracy is limited to the information contained in the sources listed in the note. The contents of this note may be freely quoted and cited provided both the author and source are given. A complete listing of APBNs is contained on [www.JEPeterson.net](http://www.JEPeterson.net).*

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agreement was signed with an additional 6 pence per ton of oil carried, but a guaranteed minimum of £60,000 per year. Catapodis relayed the terms to Onassis, also in Paris, who agreed.<sup>4</sup> Other sources have disputed the nature of any agreement.

According to Catapodis's account again, he met the 'Alireza brothers in Paris on or about 5 October 1953 and Muhammad 'Alireza gave his terms in writing and what he thought the minister of finance would require. Onassis seemed to prevaricate while Muhammad went to Geneva and eventually brought Shaykh 'Abdullah back with him to Paris. When Catapodis tried to arrange a meeting, Muhammad abruptly told him the deal was off because Hjalmar Schacht, the former Nazi finance minister, was proposing a competing agreement on behalf of a principal that 'Alireza believed to be Onassis, seeking to cut the 'Alireza brothers out of the arrangement. Catapodis got Onassis from his home and brought him to Muhammad 'Alireza where Onassis admitted that Schacht had been acting on his behalf, but he gave no convincing explanation of his actions. Before Muhammad 'Alireza left Paris, he insisted that Onassis provide two agreements for him to take, one containing the official offer to the Saudi Arabian government and the other outlining the terms for Muhammad's assistance. However, the death of King 'Abd al-'Aziz meant that both Saudis departed without the letters, dated 11 November 1953, and Catapodis sent them on by airmail.<sup>5</sup> Other sources indicate that Onassis claimed that Schacht was interested only in German construction of the tankers.

Catapodis subsequently went to Jiddah on 26 December 1953 to draft the formal agreement with Muhammad 'Alireza. The latter said he wanted a banker's draft for his fee and added that the Saudi Arabian government would impose income tax on the new company's profits. The only way to avoid this

would be to increase government royalties and to pay the minister of finance £100,000.<sup>6</sup>

According to the draft agreement, Onassis was said to have promised to assign a tanker fleet of 500,000 tons to the Saudi Arabian flag and pay royalties for the initial privilege of carrying a guaranteed 10% – about 4 million tons – of the country's annual oil output. The real value to Onassis was in his ability to fix above-market transport rates. Furthermore, the agreement provided an escalation mechanism that meant as existing tankers were retired, they would have to be replaced by Onassis tankers. Onassis also promised to create a maritime training school for young Saudis for employment with the fleet.

Negotiations ended with an agreement on 20 January 1954 signed by Shaykh 'Abdullah al-Sulaiman for the government and Muhammad 'Alireza for Onassis, based largely on an earlier memorandum of 31 December 1953.<sup>7</sup> According to Catapodis, when 'Alireza told Onassis on 19 January that Shaykh 'Abdullah would sign the agreement the following day, Onassis' assistant gave 'Alireza two bank drafts, both made out to him. The first, for £125,000, was intended for him while the second, for £100,000 was meant for the minister of finance in compensation for the exemption of the tax clause from the agreement. Furthermore, Catapodis contended, during the signing ceremony at Shaykh 'Abdullah's house, Onassis pressed the minister of finance to hold off on informing ARAMCO because he expected to reach an agreement whereby ARAMCO would pay him for cancelling the agreement.<sup>8</sup>

The agreement established the Saudi Arabian Maritime Tanker Company (SATCO), a private firm chartered in Jiddah that was authorized to register a minimum of 500,000 tons of tankers under Saudi Arabian flag and registry. The Saudi Arabian government would receive a royalty of about 20 cents for every ton of oil carried by the company's fleet to any port

in the world. The agreement would last for 30 years and was renewable. In addition, SATCO agreed to the school for training 15 Saudi students in navigation and mechanics.<sup>9</sup>

Despite Catapodis' contention, Shaykh ʿAbdullah al-Sulaiman sent a letter to ARAMCO on 23 January 1954, informing the company that an agreement between the Saudi government and Aristotle Onassis required the oil companies to transport oil and oil products on SATCO ships. The first of two exceptions to this rule pertained to tankers registered to ARAMCO or its parent companies prior to 1954, which would continue to have priority over SATCO tankers. The second exception provided that SATCO freight charges had to comply with rates decided by the US Maritime Commission or the oil companies were free to choose their own carriers. SOCAL and the other ARAMCO owners, alarmed at the implications of the agreement, pressed the US government to make strong representations. The companies argued that the agreement affected not just ARAMCO but also threatened US shipping and the entire oil industry.<sup>10</sup>

ARAMCO exhorted the US government to help persuade the Saudi government to nullify the agreement. Accordingly, Ambassador Edward Wadsworth was instructed to raise the question in a meeting with King Saʿud in February 1954. While the king gave permission for Wadsworth and ARAMCO to discuss the matter with Shaykh ʿAbdullah and other Saudi officials, his recapitulation of the benefits of the agreement for the kingdom – including the fact that the tankers would be subject to Saudi law and fly the Saudi flag – indicated that the scheme had his blessing.<sup>11</sup> The king's approval was further signaled in April when he told ARAMCO that he favored the agreement because it did not contravene the oil concession. The advantages from his point of view were that the tanker company would transport 50,000 tons of oil for the Saudi

government at no cost, 50 Saudis would be trained every year by the company, and a fleet of some 30-35 tankers would fly the Saudi flag.<sup>12</sup>

But the first sign of the agreement's eventual collapse occurred in February 1954 when Onassis was arrested in the US for his role in a surplus ships scheme. His countryman and bitter rival Stavros Niarchos had complained to the US Justice Department about irregularities in American funds raised by Onassis that were being used to create Saudi-flagged tankers, contrary to US regulations. Notably, the State Department had declined to act on the matter.<sup>13</sup>

Meanwhile, TEXACO lobbied Secretary of State John Foster Dulles against the agreement in March 1954, adding its objections to those of SOCAL. Dulles was told that ARAMCO had informed Shaykh ʿAbdullah that “it could not accept the proposed arrangement, since it violated the agreements between the SAG and the company, was contrary to long established business arrangements and worldwide practice in the international oil business, would have a disastrous effect upon the development and sale of Saudi Arabian oil and would be wholly impractical.” The company added that ARAMCO's owner companies refused to submit to the demands of the minister of finance.<sup>14</sup>

Returning to the Catapodis account, Onassis travelled back to Jiddah in March 1954 to get the agreement issued by royal decree. While there, as Catapodis alleged that Onassis had told him, Muhammad ʿAlireza demanded another \$200,000 to bribe palace officials. When the money was in his Swiss account, he said, the royal decree would be issued. Onassis deposited the amount on 7 April and the royal decree was published on 9 April.<sup>15</sup>

The oil companies' pressure on the State Department had the desired effect. In April 1954, the embassy in Jiddah was instructed to

tell King Sa'ud that the US government felt that the agreement was not in keeping with the oil concession and would harm both US and Saudi defense interests.<sup>16</sup> The king, however, was reported by ARAMCO to be inclined to support the agreement, believing that there was no contravention of the concession and that it was to the kingdom's benefit.<sup>17</sup> In fact, he issued a royal decree in April ratifying the agreement as signed by Shaykh 'Abdullah on 20 January. ARAMCO's response was threaten to reduce production to a level that could be lifted by the company's own tankers.<sup>18</sup> The vehemence of ARAMCO's objection to the decree provoked American ambassador Wadsworth, to seek an audience with King Sa'ud on 30 April 1954. The king seemed ambivalent about the contract. Although he did not cut off discussion, he considered the matter closed, perhaps because he found the subject distasteful. Nevertheless, he still had not ratified the agreement, probably because of ARAMCO's heated opposition. Onassis steered well clear of the fracas, necessarily because of his legal difficulties.<sup>19</sup>

During the months from May to August 1954, the controversies surrounding the Onassis Agreement, as well as the GOVENCO affair (viz., the contract signed with a Germany company to carry out development in the kingdom; see the previous chapter for details), came to a head. In May, US Congressman Emanuel Celler issued a press statement describing the agreement as "a serious blow to the freedom of international trade. It is an attempt by Saudi Arabia to floor American interests."<sup>20</sup> In addition, Anglo-American discussions regarding the agreement were taking place in Washington. The British contended that it was flag discrimination, contrary to the industry's practice of allowing the oil company owning the oil to dispose of it according to its own interests. The exchange revolved around ideas of how to persuade the king to reject the

scheme.<sup>21</sup>

The agreement was not published until it appeared in *al-Bilad al-Saudiyyah* on 7 June 1954 and *Umm al-Qura* on 14 June 1954. It had been modified since the January signing. Significantly, article IV had been changed to provide SATCO with priority in the transportation of oil and its products both from Saudi ports and from the pipeline terminal outside of the country. At the same time, however, it was stated that ships owned by the oil company and its parent companies, regularly involved in the transport of oil from Saudi Arabia prior to 1954, would take priority over SATCO ships. A price floor was also specified for freight charges that appeared to be exceptionally favorable to Onassis. In addition, the agreement stipulated that a maritime school would be established to train Saudis for employment in SATCO, the Saudi government would have 50,000 tons of oil shipped free of charge, port fees and a tax per ton would be imposed on SATCO in lieu of income taxes, and a guarantee was included that a fleet of a minimum of 500,000 tons deadweight would be established under the Saudi flag. The agreement was to last 30 years.<sup>22</sup>

In subsequent developments, the US was joined by Britain, Norway, and Denmark in protest against the agreement.<sup>23</sup> On the other side, shortly after publication, the Jiddah Chamber of Commerce issued a statement supporting it and criticizing the British and American attitude as hypocritical given shipping regulations in those countries.<sup>24</sup>

Meanwhile, Onassis was also trying to persuade the State Department of the merits of his scheme. He met with State officials in May 1954 and gave his version of events, claiming that the Saudi government had approached him first. He further claimed that he had tried to dissuade the Saudis and, when this failed, sought to limit the amount of oil to be lifted by SATCO. When the State officials remained unconvinced, he announced he was "prepared

to renegotiate the terms of this agreement to the extent necessary to satisfy the USG and the major oil companies, subject to the limitation that he would not 'double cross' the Saudi Arabian government." This seemed to center on the amount of oil that SATCO would transport.<sup>25</sup> He even flew to Jiddah and relaxed his terms by reducing his artificially high rate and permitting ARAMCO to continue shipping at its existing levels, although not to increase its tonnage.<sup>26</sup> ARAMCO, however, refused categorically to negotiate with Onassis, threatening to turn SATCO ships away from Ra's Tanurah. Indeed, later in the year, the oil company issued a statement to the effect that "whatever the outcome of arbitration proceedings ARAMCO would not agree to do business with Onassis because of serious doubts cast on his integrity" and threatened to insist to the king that Onassis was an "unsavoury character."<sup>27</sup>

At the end of June 1954, the US Embassy reported that the Saudi government had issued an order on 21 June preventing the departure from Saudi Arabia of any dependents of Saudi citizens. The embassy made the peculiar comment that "According to the most persistent rumours the king wished to prevent one or more of the wives of Sheikh Abdallah Suleiman, the powerful minister of finance, from leaving the country. His alleged reason was that some Saudi women, such as Sheikh Abdallah's wives, have not conducted themselves properly when they have been abroad. The report in itself sounds completely ridiculous, but there is a possibility that perhaps the decree was intended to keep the Alsuleiman family in Saudi Arabia. The king was said to have received numerous telegrams complaining about the decree."<sup>28</sup>

Indeed, the king's counsel on the matter seemed to be divided. Prince Faysal, Shaykh 'Abdullah, and 'Ali Alireza (a minister of state) supported the agreement but three other

ministers were said to oppose it.<sup>29</sup> "In an interview, Sheikh Abdullah Tariki, a former Minister of Petroleum and Mineral Resources, told the writer that he advised the Saudi Arabian Government against this agreement on the ground that if the Saudi Arabian Government desired a Saudi merchant marine, it should be paid for wholly by Saudi Arabia."<sup>30</sup>

Nevertheless, Onassis pressed on with his plan and the first SATCO ship was launched in Hamburg. Onassis approached Getty and secured a draft agreement for Getty's use of SATCO tankers at a lower rate. Getty did hold off implementation, however, on State Department advice to wait until the ARAMCO matter was settled.<sup>31</sup> State believed ARAMCO had two courses of action: arbitration over original agreement, or using the State Department to mount diplomatic offensive. The latter was the preferred course of action since State's legal department was undecided whether arbitration could be won.<sup>32</sup> State also raised the possibility in July 1954 that Onassis was beginning to tire of all the complications related to the agreement and was willing to make a deal with the oil companies. Speculation arose again that it had been Onassis's intention from the beginning to reach some agreement with the oil companies for the purchase of his ships.<sup>33</sup>

Meanwhile, Muhammad 'Alireza, the Saudi Minister of Commerce, told a newspaper in July 1954 that the King Sa'ud I would be ready for its maiden voyage in August or September. He added that other Saudi tankers to be constructed would be ordered from American, British, French, and German shipyards, perhaps in an attempt to reduce international opposition to the agreement. It may also have been the intention of Onassis to name the ship the King Sa'ud I to curry Saudi sentiment and thereby force ARAMCO to load the tanker, even though the company had stated earlier that it would not comply.<sup>34</sup> In a continuation of its

lobbying against the agreement, ARAMCO reported to the State Department that Onassis had paid \$540,000 in cash to the Metropolitan Life Insurance Company to release him from a loan agreement which would have prevented the King Saud I to be registered under the Saudi flag.<sup>35</sup>

The US offensive against the agreement continued. On 16 July, the American secretary of state cabled his ambassador Wadsworth, informing him that the oil companies would refuse cargo in SATCO tankers and that the US government would back them up. Wadsworth was instructed to inform the Saudi government in polite terms that if the agreement went ahead, the oil companies would reduce production and thus cost the kingdom revenues. A memorandum included with the orders to Wadsworth compared the situation to Iran in 1950 and 1951 and speculated that the king might be pressed to nationalize ARAMCO. The conclusion was that the king was bluffing. But if this was not true, the US government should point out the disastrous effect of such an action. Dulles made a point of emphasizing what had happened in Iran.<sup>36</sup>

The seriousness with which the US government viewed the possibility of the agreement being implemented was indicated by the conclusion of a US National Security Council (NSC) report at this time that baldly stated that "The United States should take all appropriate measures to bring about the cancellation of the agreement between the Saudi Arabian Government and Onassis for the transport of Saudi Arabian produced oil and, in any case, to make the agreement ineffective." A subsequent NSC finding concluded that "The Saudi Arab Agreement with the S.A. Onassis interests to form a maritime company for the shipment of Saudi Arabian oil directly threatens U.S. interests. In addition to the adverse effect on American companies, the future operation of U.S. government-owned tankers now

carrying oil for the U.S. Navy may well be jeopardized. The ultimate solution of this and similar problems is necessarily bound up with future developments in U.S.-Saudi Arab relations."<sup>37</sup>

By August 1954, it looked increasingly like the agreement was in trouble. Intense US government pressure on Riyadh, combined with resistance from ARAMCO and other oil companies, as well as representations from a number of other governments and shipping companies, put the Saudi Arabian government in a quandary since it clearly disliked finding itself in a hostile spotlight. Shaykh ʿAbdullah al-Sulaiman, in keeping with his hardline negotiating tactics with the oil company over the years, undoubtedly argued that the agreement should remain untouched but the time for standing fast seemed past and the minister of finance resigned on 31 August. There may have been multiple reasons for Shaykh ʿAbdullah's resignation but the Onassis affair undoubtedly played a part. The State Department's comment on his resignation was that "it should, too, facilitate handling Onassis and Aramco question..."<sup>38</sup>

As a consequence, Wadsworth duly discussed what steps to take with Saudi government officials and King Sa'ud in August. The king was willing to back down but he needed a public pretext for doing so. A first step towards achieving this came with the entry of Robert Maheu, a shadowy figure who had been – and apparently still was – employed by Niarchos and also was thought to have a US Federal Bureau of Investigation (FBI) background and active connections. Maheu made contact with Karl Twitchell, the American entrepreneur who had long held Saudi trust with his role in the search for water, oil, and minerals. Maheu persuaded Twitchell to return to Saudi Arabia to convince the king that it would not be in his best interests to pursue the Onassis agreement.<sup>39</sup>

By the end of August, a Saudi committee of enquiry was investigating the GOVENCO affair. On 31 August 1954, Shaykh ʿAbdullah tendered his resignation as minister of finance and economy. At the same time, both Shaykh ʿAbd al-ʿAziz al-Sulaiman and Ahmed Musli both resigned from the Ministry of Finance. In the charges against GOVENCO, Musli had been named as the Saudi official used to influence Shaykh ʿAbdullah. King Saʿud appointed Muhammad Surur al-Sabban as Shaykh ʿAbdullah’s replacement, which was not surprising given the king’s earlier patronage of Muhammad.<sup>40</sup> The US Embassy commented that Surur’s appointment was in general a wise one, and “it should, too, facilitate handling of the Onassis and ARAMCO question and SAG membership in IMF and IBRD”.<sup>41</sup>

Meanwhile, Stavros Niarchos was continuing his own strategy to derail the agreement and bring down Onassis. He and his advisers met with Maheu in London in August 1954 and they concluded that their best chance was to exploit the gulf between Onassis and Catapodis. The result of their pressure on Catapodis was the affidavit he signed, alleging that Onassis had set up the deal, exempted himself from Saudi Arabian income tax through payoffs, and purportedly paid \$1.25 million in bribes to Saudi officials. The affidavit was scarcely credible in places but it implied that Onassis did not like dealing with Arabs and that his real purpose was to supplant ARAMCO itself.<sup>42</sup>

Maheu went on to Jiddah to join Twitchell, who had already secured audience with King Saʿud. The monarch permitted Maheu to meet with his unnamed “confidential adviser” provided Shaykh ʿAbdullah al-Sulaiman was present to answer any charges. Maheu and Twitchell presented their case at Shaykh ʿAbdullah’s villa and after four hours, they were told that the king would provide his answer at noon the following day. The adviser was

reported to have said that the king wished to be rid of the Onassis affair but he needed a suitable pretext for backing out. Evidence of payoffs could be just what was required. It was suggested that Maheu publicize payoffs in any European (but not American) and Arab newspaper that would print them.<sup>43</sup>

Maheu’s visit to Jiddah seemed to have provided the trigger for the collapse of the SATCO affair. Shaykh ʿAbdullah was made the scapegoat and forced to resign for “health reasons.” King Saʿud summoned Onassis to the kingdom in October, and although Onassis gave a good account with himself as the victim of a conspiracy, the king would not be dissuaded. Accordingly, he informed ARAMCO and the American embassy that if Onassis could be shown to have refused a reasonable renegotiation of agreement, he would let it go to arbitration.

At long last, ARAMCO began negotiations with Onassis. Onassis agreed to drop the monopolistic provisions in exchange for a fixed percentage of cargo. He also agreed to lower his originally high rates but ARAMCO’s chairman of the board, Fred Davies, spied an opportunity and pressed Onassis to accept standard market rates. Onassis had his back to the wall and could not agree: if the rate fell, it would tie up his fleet at a loss. ARAMCO triumphantly reported Onassis’ refusal to the Saudi government, which agreed to go to arbitration in 30 days.

Maheu’s attempt to publicize the seamier aspects of the affair did not receive much attention until 19 November when Catapodis held a press conference attacking Onassis. The two sued and counter-sued in both France & the US. The Paris case was dismissed when Catapodis could not produce a signed copy of his original agreement with Onassis (he claimed that Onassis had used disappearing ink). The American case eventually ended inconclusively. Ensuring arbitration at The Hague finally

passed judgment in favor of ARAMCO in 1958.

Long before that, however, the agreement had been essentially rendered moribund in December 1954 when *al-Bilad al-Saudiyyah* published a statement by the new minister of finance, Muhammad Surur al-Sabban, indicating that if agreement between the Saudi Arabian government and ARAMCO could not be reached by 15 January 1955, the matter would be put to arbitration.<sup>44</sup>

What in fact was Shaykh ʿAbdullah al-Sulaiman’s connection to SATCO? As mentioned above, most accounts charge in passing that he was one of the instigators of the scheme for financial gain. The affair is not mentioned by Anthony Sampson in *The Seven Sisters* or Daniel Yergin in *The Prize*.<sup>45</sup> Leonard Mosley in *Power Play* gives an account extremely hostile to King Saʿud, who he claims took most of the bribes offered by Onassis.<sup>46</sup>

Two general histories of Saudi Arabia implicate Shaykh ʿAbdullah. Robert Lacey in *The Kingdom*, declares that SATCO was “to be a partnership existing for the private profit of Abdullah Suleiman, some Jeddah merchants – and the Greek shipping magnate Aristotle Onassis.” He contends that “a loud-mouthed Monte Carlo playboy [Spiros Catapodis] ... set up the deal with Abdullah Suleiman the previous summer in Cannes” when Shaykh ʿAbdullah was staying at the Hotel Martinez with Muhammad and ʿAli ʿAlireza. The four of them devised a scheme whereby Muhammad ʿAlireza would become Onassis’s Saudi agent, Shaykh ʿAbdullah al-Sulaiman would lobby the king, and Catapodis would collect a big commission on the deal.<sup>47</sup> David Holden and Richard Johns, in *The House of Saud*, seem to indicate that Onassis promised Catapodis a substantial commission for an introduction to Muhammad ʿAlireza, who then negotiated the agreement with Shaykh ʿAbdullah al-Sulaiman.<sup>48</sup>

In a contrasting view, an American historian contends that Shaykh ʿAbdullah’s dismissal was

actually part of a deal between ARAMCO and the Saudi Arabian government. King Saʿud dismissed the so-called “architect of the Onassis tanker deal” as *quid pro quo* for ARAMCO’s agreement to pay retroactive royalties back to December 1951, a step that would produce \$70 million in additional Saudi revenue.<sup>49</sup> This view seems to argue that ARAMCO had finally found a suitable opportunity to rid itself of their long-time nemesis.

Many of the details surrounding the affair came to light after Shaykh ʿAbdullah’s resignation. Catapodis gave his version of the negotiations leading to the agreement in a statement on 18 September and subsequently swore out an affidavit in front of the British Vice-Consul in Nice. Catapodis claimed that Muhammad ʿAlireza had demanded a payment of £100,000 for the minister of finance and that ʿAlireza had been given a banker’s draft in ʿAlireza’s name for that purpose. He made no contention that Shaykh ʿAbdullah had either received any payment or had asked for one. The British embassy in Jiddah reported that when Shaykh ʿAbdullah heard about the allegations (following Catapodis’ statement in September), he went to the king and offered to submit to investigation to prove the allegations were false. The king accepted his offer and established a committee under the chairmanship of the new minister of finance, Muhammad Surur al-Sabban.<sup>50</sup>

There is no credible evidence that Shaykh ʿAbdullah received any money for the affair. The essential allegations of his complicity revolve around his necessary involvement as minister of finance. He was responsible for official negotiations with ARAMCO and his tough negotiating stance over the years had earned him considerable enmity from within the oil company. Accordingly, ARAMCO’s vehement opposition to the tanker deal would not surprisingly implicate the company’s old enemy, Shaykh ʿAbdullah. It is undeniable that



Shaykh ʿAbdullah signed the SATCO agreement in January 1954 but this was in his official capacity; he certainly could not have done so without the approval of King Saʿud. Shaykh ʿAbdullah’s resignation in August 1954 as the deal was collapsing has been interpreted either as royal indignation at his greed or as his being made the scapegoat so that the regime could save face. The problem with this argument is that the allegations of bribery became public only after Catapodis made his statement in September, weeks after Shaykh ʿAbdullah had resigned and before the storm of negative publicity blew up. There are many, often conflicting, reasons advanced for his resignation after so many years in royal service.

*Notes:*

1. The affair is discussed in many popular sources on Saudi Arabia, such as David Holden and Richard Johns, with James Buchan, *The House of Saud: The Rise and Rule of the Most Powerful Dynasty in the Arab World* (New York: Holt, Rinehart and Winston, 1982), and Robert Lacey, *The Kingdom: Arabia and the House of Saud* (New York: Harcourt Brace Jovanovich, 1982). Discussion in this and following paragraphs is based largely on a thorough account in Nicholas Fraser et al., *Aristotle Onassis* (London: Weidenfeld and Nicolson, 1980), pp. 185-213, and various archival sources. Other details were provided by an affidavit written by Catapodis in Cannes on 18 September 1954. A copy of the affidavit is in National Archives, Kew, London, Foreign Office Records, FO/371/110124/ES1533 and was supplied to the Foreign Office by Stavros Niarchos on 21 September 1954. It should be noted that the affidavit was meant to give Catapodis' side of the story, particularly his falling out with Onassis and therefore is not necessarily trustworthy. Citations of this affidavit have been made when Catapodis' account is the only source of the information. A recent scholarly analysis was published by Nathan Citino, "Defending the 'Postwar Petroleum Order': The U.S., Britain and the 1954 Saudi-Onassis Tanker Deal," *Diplomacy and Statecraft*, Vol. 11, No. 2 (July 2000), pp. 137-160.
2. National Archives, College Park, Maryland, Record Group 59, State Department Records, RG59, 986A.53/7-2054, J.T. Duce, ARAMCO, to S. Dorsey, NEA, 20 July 1954. The affair is also covered in FO/371/110122 and FO/371/110123.
3. Catapodis stated that he went to Baghdad in September 1952 to negotiate the transfer of some Liberty ships to the Iraqi government and subsequently learned that the Iraqis were interested in creating their own oil tanker fleet. As his discussions progressed, he brought in Aristotle Onassis who would provide the tonnage. The project, however, was aborted by a coup in August 1953. Catapodis affidavit, Cannes, 18 September 1954.
4. Ibid.
5. Ibid.
6. Ibid.
7. Narayan, "Oil Contract Negotiations," p. 581.
8. Catapodis affidavit, Cannes, 18 September 1954.
9. Narayan, "Oil Contract Negotiations," p. 581.
10. RG59, 886A.2553/2-2454, Standard Oil of California to Assistant Secretary of State, 24 Feb. 1954, enclosing Shaykh 'Abdullah al-Sulaiman to ARAMCO, 23 January 1954.
11. RG84 Dhahran 50-54, 510.1, Wadsworth to State, 6 February 1954. When *al-Bilad al-Saudiyyah* unexpectedly published a statement in February that the Saudi Arabian government had not yet concluded an agreement with Onassis, the US Embassy believed that ARAMCO's representations to the king had had a positive effect. RG84 Dhahran 50-54, 510.1, Embassy, Jiddah, to State, 16 February 1954.
12. RG84, Dhahran 50-54, 510.1, Dhahran Consulate to State, 15 April 1954.
13. Fraser et al., *Aristotle Onassis*.
14. RG59, 886A.2553/3-254, A.C. Long, Texas Company, to J.F. Dulles, Secretary of State, 2 March 1954.
15. Catapodis affidavit, Cannes, 18 September 1954.

16. RG59, 510.1 File, Onassis Agreement, State to Jiddah, tel. of 23 April 1954.
17. RG 510.1 Files, Onassis Agreement, Jiddah to State, 20 April 1954.
18. RG59, 510.1 File, Onassis Agreement, J.J. Jones, III, Jiddah, to State, 25 April 1954.
19. Fraser et al., *Aristotle Onassis*.
20. RG59, 886A.2553/6-354, Thruston B. Morton, Assistant Secretary of State to Emanuel Celler, House of Representatives, with enclosures, 3 June 1954.
21. RG84, Dhahran 50-54, 510.1, State to Dhahran, 12 May 1954.
22. RG59, 886A.2553/7-1354, J.J. Jones III, Jiddah, to State, 13 July 1954, enclosing translation of the text of the agreement between the Saudi Arabian government and Onassis and two letters between Onassis and Shaykh ‘Abdullah dated 7 April 1954, as well as the Arabic text as it appeared in the July issue of al-Riyad Magazine. For the text of the agreement, see “The Onassis Agreement,” *Egyptian Economic and Political Review* (January 1955), pp. 42-44.
23. RG59, 886A.2553, various correspondence during July 1954.
24. RG59, 866A.2553/6-1254, J.J. Jones, III, Jiddah, to State, 12 June 1954. The embassy reported that the chamber’s stance was typical of Saudi views but also suggested that the statement may have been prompted by the chamber’s president, Muhammad ‘Alireza, who had a personal interest in the agreement. *Ibid.* ARAMCO certainly endorsed this view as it told the embassy in July 1954 that ‘Abdullah {sic} ‘Alireza had received £300,000 upon the signing of the agreement and that he stood to make a further £60,000 each year. RG59, 986A.53/7-2054, J.T. Duce, ARAMCO, to S. Dorsey, NEA, 20 July 1954.
25. RG 84, Dhahran 50-54, 510.1, State to Dhahran, 26 May and 27 May 1954.
26. Fraser et al., *Aristotle Onassis*.
27. RG84, Dhahran 50-55, 510.1 (SAG-Onassis), Dhahran to State, 3 November 1954.
28. RG59, 886A.41/6-3054, Jones, Jiddah, to State, 30 June 1954.
29. Fraser et al., *Aristotle Onassis*.
30. Narayan, “Oil Contract Negotiations,” p. 581n36.
31. Fraser et al., *Aristotle Onassis*. The State Department feared that Getty’s Pacific Western Oil, despite having objected to the Onassis agreement, had entered into a deal with Onassis to use his new ship, the King Sa‘ud I, to transport oil. RG59, 886A.2553/7-1554, State Department memorandum on the Onassis agreement, 15 July 1954. Pacific Western, however, although contending that the agreement contravened its concession, was prepared to load the King Sa‘ud I if charges were competitive. In fact, Pacific Western seemed to be playing for time in avoiding a decision, hoping that ARAMCO would win its arbitration case first. RG59, 886A.2553/12-2354, memorandum of conversation between David Hecht, lawyer representing Pacific Western, and Eakers, PED, 23 December 1954.
32. Fraser et al., *Aristotle Onassis*.

33. RG59, 886A,2553/7-1554, State Department memorandum on the Onassis agreement, 15 July 1954. About this time, a US Central Intelligence Agency (CIA) agent in the Middle East was said to have reported that a “reliable” source told him that Shaykh ‘Abdullah al-Sulaiman had received about \$100,000 for his signature. Fraser et al., *Aristotle Onassis*, p. 200.
34. RG59, 886A.53/7-1754, Jiddah to State, 17 July 1954; RG59, 986A.53/7-2054, J.T. Duce, ARAMCO, to S. Dorsey, NEA, 20 July 1954.
35. RG59, 886A.2553/7-2754, Dorsey, State Department office memorandum on Onassis Agreement, 27 July 1954.
36. Fraser et al., *Aristotle Onassis*. The Iranian situation was the infamous Mossadeq affair. When Mossadeq, the Iranian prime minister, nationalized the Anglo-Iranian Oil Company in 1951, Britain and the United States organized clandestine activity that forced Mossadeq from office.
37. NARA, NSC Report 5428, 23 July 1954, and National Security Council Progress Report 155/1, 30 July 1954. The NSC assessment appeared to be based in part on the worry of the Joint Chiefs of Staff that the agreement might classify US military transport tankers the same as oil company tankers and therefore as the US tankers became obsolete, their cargo would revert to SATCO ships. Accordingly, the secretary of defense was pressed to seek “assurances from the Saudi Arabian government that no agreement which may be concluded by that government will interfere in any way with present or future arrangements for lifting oil for U.S. Armed Forces in ships controlled or owned by the United States government.” RG218 CCS 381/Saudi Arabia/2/7/45/Sec 4:24/3, Memorandum for the Secretary of Defense, 24 March 1954; copy in Eisenhower Presidential Library, Special Assistant for National Security Affairs, Box 5, NSC 155/1, Near East (1); July, 13 July 1954.
38. RG59, 786A.13/9-654, Wadsworth, Jiddah, to Secretary of State, 6 September 1954.
39. Fraser et al., *Aristotle Onassis*.
40. RG59, 887A.00/11-854, 8 November 1954.
41. RG59, 786A.13/9-654, 6 September 1954.
42. Fraser et al., *Aristotle Onassis*.
43. The account of the end stages of the affair in this and the following paragraphs rely heavily on Fraser et al., *Aristotle Onassis*.
44. RG59, 886A.2553/12-1354, Neslon, Jiddah, to Secretary of State, 13 December 1954. Leonard Mosley in *Power Play*, p. 312, ascribes the resolution of the dispute to a coordinated boycott of Onassis tankers by ARAMCO’s parent companies, rather than the threat of legal action. An alternative account of the affair is given in J. Hougan, *Spooks: The Private Use of Intelligence Agents* (London: W.H. Allen, 1979), pp. 280-303. Hougan rather breathlessly emphasizes the central part played by Maheu, downgrades Catapodis’ role, and alleges that US Vice-President Richard Nixon and the CIA played an important part in Onassis’ downfall, in league with Niarchos. Hougan finally proclaims that the affair set the stage for the subsequent Watergate affair. Hougan also maintains that Shaykh ‘Abdullah al-Sulaiman was “purged” from office for having helped frame the Jiddah Agreement, and that his successor refused to honor it. *Ibid.*, p. 299.
45. Anthony Sampson, *The Seven Sisters: The Great Oil Companies and the World They Shaped* (New York: Viking Press, 1975); Daniel Yergin, *The Prize: The Epic Quest for Oil, Money, and Power* (New York: Simon & Schuster, 1991).
46. Mosley, *Power Play*, pp. 312-313.

47. Lacey, *The Kingdom*, p. 303. Lacey's account, pp. 303-307, relies heavily on Fraser et al., *Aristotle Onassis*, and several interviews, notably with Muhammad 'Alireza.
48. Holden and Johns, *The House of Sand*, pp. 180-182.
49. Citino, "Postwar Petroleum Order," p. 152.
50. FO/371/110124/ES1533, H. Phillips, Jiddah, to Eastern Department, Foreign Office, 21 November 1954.